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Finance Committee Meeting Supplemental Schedules

February 12, 2001

| Committee Members |

Mr. Herbert S. Winokur, Jr., Chairman
Mr. Robert A. Belfer
Mr. Norman P. Blake, Jr.
Mr. Ronnie C. Chan
Mr. Richard N. Foster
Mr. Jerome J. Meyer
Mr. Paulo V. Ferraz Pereira
Mr. Frank Savage
Mr. John A. Urquhart

EC004403469

GOVERNMENT
EXHIBIT
289

Crim. No. H-04-25 (S-2)

Major Relationship Exposures

as of close of business February 8, 2001

Relationship	E-Rating	Exposure	Collateral	Net Exposure
TXU Corp	4	1,657,765,732	(140,400,000)	1,517,365,732
Bonneville Power Administration	2	790,070,314	0	790,070,314
Sithe/Independence Power Partners, L.P.	5	640,484,283	0	640,484,283
TransAlta Corporation	4	577,526,350	(6,500,000)	571,026,350
PG&E Corporation	11	576,066,266	(33,000,000)	543,066,266
Edison International	11	493,486,153	(5,000,000)	488,486,153
Reliant Energy Inc.	4	1,001,192,910	(532,150,000)	469,042,910
Koch Industries, Inc.	2	295,170,384	0	295,170,384
American Electric Power Company Inc.	4	260,707,189	(32,000,000)	228,707,189
Duke Energy Corporation	3	1,501,501,038	(1,281,550,000)	219,951,038
Sempra Energy	3	258,085,349	(59,750,000)	198,335,349
Avista Corporation	5	183,680,775	0	183,680,775
Utilicorp United Inc.	5	181,409,205	0	181,409,205
Transcanada Pipelines Ltd.	3	159,293,273	0	159,293,273
Energen Corporation	3	152,028,622	0	152,028,622
Canadian Natural Resources	4	151,501,699	0	151,501,699
Calpine Corporation	7	215,042,961	(75,000,000)	140,042,961
Columbia Energy Group	4	129,927,475	0	129,927,475
BP Amoco p.l.c.	1	165,332,499	(42,500,000)	122,832,499
FPL Group Inc.	2	122,058,886	(11,000,000)	111,058,886
Kinder Morgan, Inc.	5	152,992,342	(47,500,000)	105,492,342
The Williams Companies, Inc.	5	713,361,407	(622,000,000)	91,361,407
The Southern Company Inc.	4	342,806,766	(313,000,000)	29,806,766

Non-Investment Grade Credit Exposures

Trade Credit Exposures

above \$50 million

as of close of business February 8, 2001

Counterparty	E-Rating	Exposure	Collateral	Net Exposure
TXU Europe Energy Trading Ltd.	4	1,430,196,621	0	1,430,196,621
Bonneville Power Administration	2	790,070,314	0	790,070,314
Sithe/Independence Power Partners, L.P.	5	640,484,283	0	640,484,283
TransAlta Utilities Corporation	3	571,015,371	0	571,015,371
Southern California Edison Company	11	449,892,431	0	449,892,431
Pacific Gas & Electric Company	11	385,565,861	0	385,565,861
Reliant Energy Resources Corp.	4	314,058,574	0	314,058,574
Duke Energy Trading and Marketing, L.L.C.	3	1,467,678,039	(1,269,050,000)	198,628,039
Koch Petroleum Group, L.P.	2	167,920,602	0	167,920,602
Avista Energy, Inc.	5	156,654,138	0	156,654,138
Canadian Natural Resources	4	150,487,828	0	150,487,828

Cash Collateral

as of close of business February 8, 2001

Counterparty	Amount
The Chase Manhattan Bank	\$ 1,289,450,000
Duke Energy Trading and Marketing, L.L.C. - EPMI	1,239,800,000
Williams Energy Marketing & Trading Company - EPMI	622,000,000
J. Aron & Company	210,000,000
Reliant Energy Services, Inc.	171,483,600
Merrill Lynch Capital Services, Inc.	120,600,000
Bank of America, National Association	119,350,000
Mirant Americas Energy Marketing, L.P.	112,000,000
Credit Suisse First Boston International	69,000,000
Cargill, Incorporated	62,100,000
Bankers Trust Company	61,750,000
Kinder Morgan, Inc.	47,500,000
BP Amoco Corporation	42,500,000
PG&E Energy Trading-Gas Corporation	33,000,000
AEP Energy Services, Inc.	32,000,000
Vitol S.A.	30,070,000
Sempra Energy Trading Corp.	26,750,000
CMS Marketing, Services and Trading Company	22,000,000
PSEG Energy Resources & Trade LLC	12,300,000
Cargill-Alliant, LLC	12,000,000
Seneca Resources Corporation	10,500,000
Cook Inlet Energy Supply L.L.C.	7,700,000
Phoenix Dominion Energy, LLC	7,000,000
The Tudor BVI Global Portfolio Ltd.	6,730,000
Virginia Power Energy Marketing, Inc.	5,800,000
Torch Energy Marketing Inc.	5,250,000
Other Cash Received	23,232,635
AOT Trading AG	(1,000,000)
Idacorp Energy Solutions, L.P.	(1,250,000)
California Power Exchange Corporation	(3,302,390)
Hess Energy Trading Company LLC	(9,300,000)
Morgan Guaranty Trust Company Of New York	(10,125,000)
Phibro Inc.	(12,250,000)
ConAgra Energy Services, Inc.	(12,800,000)
Societe Generale	(15,000,000)
PCS Nitrogen Fertilizer, L.P.	(17,100,000)
General Re Financial Products Corporation	(21,250,000)
Louis Dreyfus Corporation	(30,000,000)
Utilicorp United Inc.	(47,500,000)
Citibank, N.A.	(66,600,000)
El Paso Merchant Energy, L.P.	(159,000,000)
Williams Energy Marketing & Trading Company - ENA	(184,000,000)
Duke Energy Trading and Marketing, L.L.C. - ENA	(213,500,000)
NYMEX	(284,195,547)
Mahonia Ltd	(1,053,600,000)
Total	\$ 2,260,093,298
Total Incoming	\$ 4,401,866,235
Total Outgoing	(2,141,772,937)
	\$ 2,260,093,298

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Other Collateral

as of close of business February 8, 2001

Incoming Letters of Credit

Counterparty	Amount
Reliant Energy Services, Inc.	\$ 360,666,400
Duke Energy Trading and Marketing, L.L.C. - EPMI	242,750,000
Mirant Americas Energy Marketing, L.P.	201,000,000
TXU Energy Trading Company	140,400,000
Calpine Energy Services, L.P.	75,000,000
Morgan Stanley Capital Group Inc.	74,500,000
Woodward Marketing, L.L.C.	37,300,000
Sempra Energy Trading Corp.	33,000,000
Neumin Production Co.	32,000,000
Warren, George E Corporation	30,860,613
Mieco Inc.	28,000,000
Enserco Energy, Inc.	18,700,000
Enterprise Products Operating L.P.	17,250,000
PanCanadian Energy Services Inc.	16,000,000
Midland Cogeneration Venture Limited Partnership	15,000,000
Duke Energy Marketing Limited Partnership - ECC	12,500,000
FPL Energy Power Marketing, Inc.	11,000,000
Birchill Resources Limited	10,400,000
Glencore AG	10,091,375
Cross Timbers Oil Company	10,000,000
Hafslund Energy Trading, LLC	10,000,000
Natural Gas Exchange Inc.	10,000,000
ProLiance Energy, LLC	10,000,000
Niagara Mohawk Energy Marketing, Inc.	9,600,000
Societe Generale Energie (USA) Corp.	8,809,053
DevX Energy, Inc.	8,500,000
Contour Energy Co.	8,000,000
Panaco, Inc.	7,500,000
PetroPeru S.A.	7,476,500
Auburndale Power Partners LP	7,000,000
TransAlta Energy Marketing Corp.	6,500,000
Linder Energy Company	6,000,000
Metromedia Energy, Inc.	6,000,000
Castle Power LLC	5,750,000
Deseret Generation & Transmission Coop.	5,750,000
Edison Mission Marketing & Trading Inc.	5,000,000
HS Energy Services, Inc.	5,000,000
Interstate Gas Supply, Inc.	5,000,000
Select Energy, Inc.	5,000,000
United Oil & Minerals, Inc.	5,000,000
Other	118,322,150
Total	\$ 1,636,626,091

Outgoing Letters of Credit

Counterparty	Amount
LG&E Energy Marketing Inc.	\$ (181,500,000)
Duke Energy Marketing Limited Partnership - ECC	(112,250,000)
TransCanada Energy Financial Products Limited	(109,000,000)
Pacific Gas & Electric Company	(95,500,000)
California Power Exchange Corporation	(92,290,000)
ISO New England Inc.	(40,000,000)
Louis Dreyfus Corporation	(30,000,000)
Southern California Edison Company	(22,700,000)
Powerex Corp.	(20,000,000)
Empresa Estatal de Petroleos del Ecuador	(14,795,400)
El Nasr Steel Pipes & Fittings Co.	(1,370,000)
Cammesa	(132,400)
Power Pool of Alberta	(100,000)
Total	\$ (719,637,800)

Outgoing Surety Bond

Counterparty	Amount
Mahonia Ltd.	\$ (1,266,022,000)
Total	\$ (1,266,022,000)

Incoming Securities

Counterparty	Amount
Bank of Montreal	\$ 103,250,000
Total	\$ 103,250,000

EC004403473

California Credit Risk Mitigation

(in \$MM's)

Utility

PG&E - Return of customers to utility service	\$	665
	\$	665

Non-Regulated

Collateral	\$	33
Contract assignment and assumption		
Avista		132
Duke		99
Merchant Energy Group of America		57
Master netting and set-off agreement		30
	\$	351

Total \$ 1,016

Utility - Pending

SCE - Return of customers to utility service	315
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Grand Total \$ 1,331

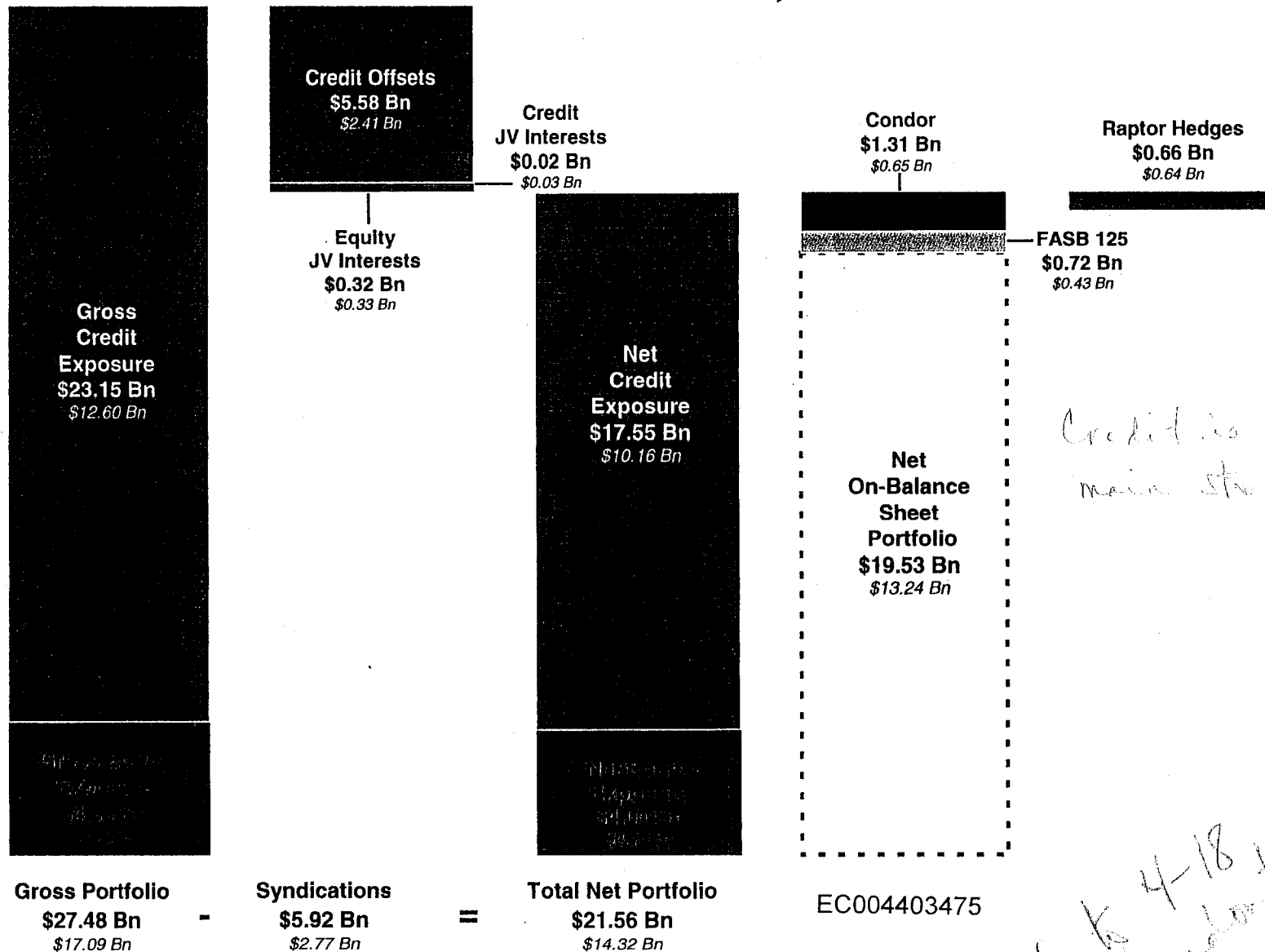
lengthy discussion of California energy units

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Merchant Portfolio

as of December 31, 2000

Handout for



Credit is the main story

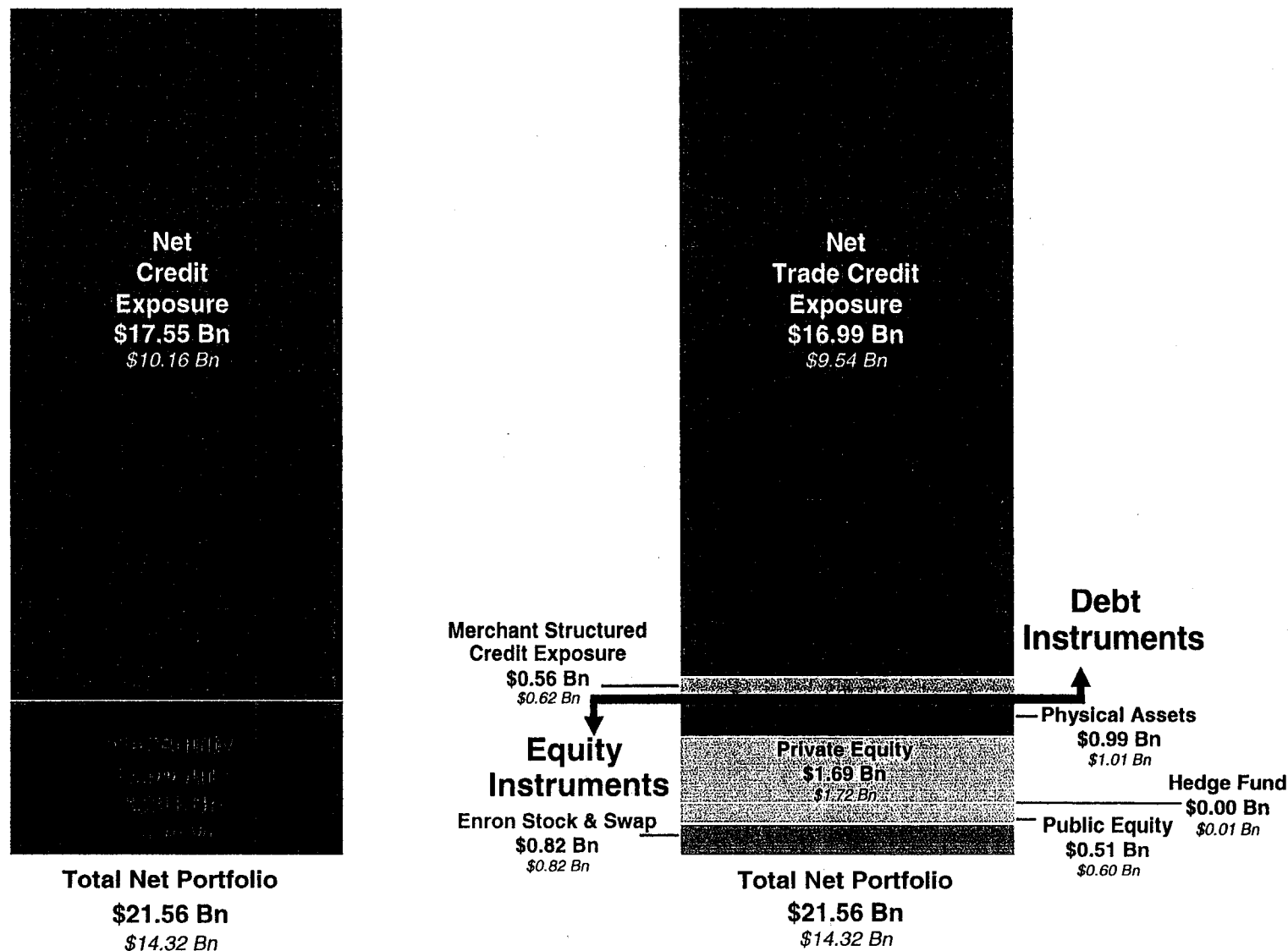
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Buy

Numbers in italics represent comparable amounts at September 30, 2000. 4 - 4

Merchant Portfolio After Syndication

as of December 31, 2000



Numbers in italics represent comparable amounts at September 30, 2000.

No

Increase in Gross Credit Exposure

- **Significant price movements in NYMEX gas prices and Western basis**
- **Significant price movements in power prices**
- **Increased EES exposures due to negative CTC buildup in California**
- **Increase in magnitude of portfolio due to volume growth augmented the impact of price movements to Price Risk Management assets and liabilities**

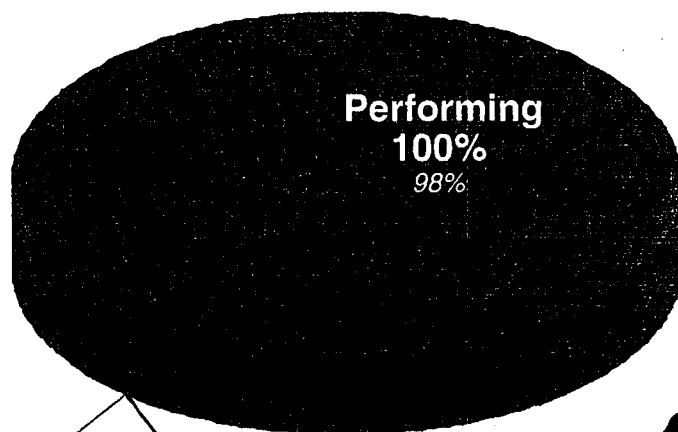
Debt Instruments

as of December 31, 2000

Net Credit Exposure: \$17.55 Bn

\$10.16 Bn

Portfolio Performance



Decrease :

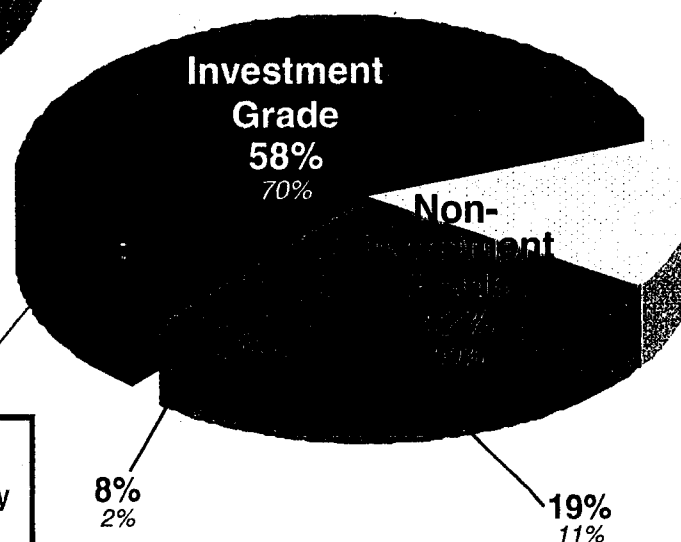
- Owens Corning moved to "Performing"
- Carry Value of other Non-Performing Assets written down.

Non-Performing
0%
2%

Shift from Investment Grade:

Downgrade of California utility companies.

E-Ratings*



- 1-5 Investment Grade
- 6-8 BB+/BB/BB-
- 9-10 B+/B/B-
- 11-12 All C & D Ratings

8%
2%

19%
11%

* "E-Ratings" represent Enron's Internal Credit Rating System. 1 = AAA.

Numbers in italics represent comparable amounts at September 30, 2000.

Top 25 Net Credit Exposures

Type of Credit	E-Rating	Counterparty Name	June 30, 2000	September 30, 2000	December 31, 2000
			In \$MM's	In \$MM's	In \$MM's
Trade	4	TXU Europe Energy Trading Ltd.	1,452	1,389	1,238
Trade	3	Trans Alta Utilities Corporation	N/A	293	836
Trade	11	Pacific Gas & Electric Company	54	61	808
Trade	5	Sithe/Independence Power Partners, L.P.	519	597	632
Trade	2	Bonneville Power Administration	162	242	606
Trade	2	Barclays Physical Trading Ltd	N/A	N/A	526
Trade	4	Reliant Energy Resources Corp.	166	179	385
Trade	11	Southern California Edison Company	N/A	N/A	320
Trade	3	Duke Energy Trading and Marketing, L.L.C.	N/A	N/A	257
Trade	4	Reliant Energy Services, Inc.	56	N/A	220
Trade	9	PG&E Energy Trading - Power, L.P.	N/A	115	212
Trade	5	Avista Energy Inc.	N/A	N/A	181
Trade	4	Canadian Natural Resources	124	131	160
Merchant	6	East Coast Power	158	158	159
Trade	7	Aquila Canada Corp	N/A	N/A	150
Trade	4	American Electric Power Service Corporation	62	N/A	137
Trade	2	Florida Power & Light Company	149	145	134
Trade	6	Columbia Natural Resources, Inc.	N/A	77	132
Merchant	9	Mariner Combined Debt	114	112	123
Trade	3	AEP Energy Services, Inc.	N/A	105	123
Trade	2	Koch Energy Trading, Inc.	89	108	111
Trade	7	Aquila Energy Marketing Corporation	N/A	N/A	106
Trade	3	Duke Energy Marketing Limited Partnership	N/A	64	106
Trade	3	Energen Resources Corporation	N/A	72	100
Trade	3	Idaho Power Company	N/A	N/A	94
Trade	2	The Chase Manhattan Bank	159	198	N/A
Merchant	8	American Coal Tranche I	133	102	N/A
Trade	11	Owens Corning	N/A	97	N/A
Trade	4	Petro-Canada Oil and Gas	74	95	N/A
Trade	5	Williams Energy Marketing & Trading Company	114	90	N/A
Trade	4	Southern Company Energy Marketing, L.P.	58	73	N/A
Trade	5	Neumin Production Co.	N/A	63	N/A
Trade	4	Merchant Energy Group of the Americas, Inc.	N/A	53	N/A
Trade	8	Belco Oil & Gas Corp.	N/A	52	N/A
Trade	2	The Power Authority of the State of New York	52	N/A	N/A
Trade	2	Merrill Lynch Capital Services, Inc.	57	N/A	N/A
Trade	5	Tractebel Energy Marketing, Inc.	85	N/A	N/A
Trade	1	Koch Petroleum Group, L.P.	66	N/A	N/A
Trade	4	Yorkshire Electricity Group plc	62	N/A	N/A
Trade	4	United Illuminating Company	62	N/A	N/A
Top 25 Total			4,027	4,671	7,856
Other Net Credit Exposures			4,956	5,486	9,693
Total Net Credit Exposure			8,983	10,157	17,549

Counterparties new to "Top 25" list

Non-Investment Grade Credit Exposures

Major Trade Credit Relationship Exposures

as of December 31, 2000

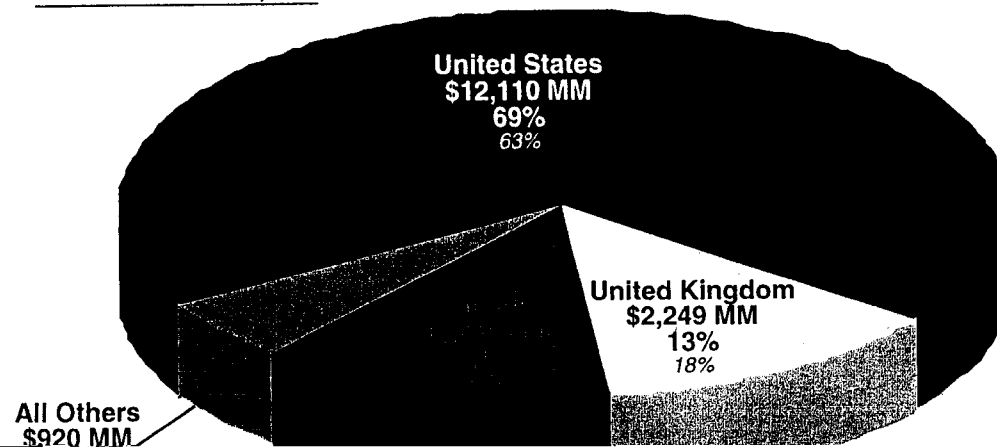
E-Rating	Relationship	Exposure in \$MM's	Monetizations and Collateral in \$MM's	Net Exposure in \$MM's
4	TXU Corp.	1,462	159	1,303
11	PG&E Corp.	1,136	0	1,136
4	TransAlta Corporation	857	19	838
4	Reliant Energy Inc.	1,121	474	647
5	Sithe/Independence Power Partners, L.P.	633	0	633
2	Bonneville Power Administration	606	0	606
2	Barclays plc	553	0	553
11	Edison International	407	7	400
3	Duke Energy Corporation	1,063	680	383
5	Utilicorp United Inc.	315	8	307
4	American Electric Power Company Inc.	301	32	269
5	Avista Corporation	217	0	217
4	Columbia Energy Group	157	0	157
1	Koch Industries, Inc.	151	0	151
3	Sempra Energy	586	466	120
7	Calpine Corporation	192	75	117
3	Transcanada Pipelines Ltd.	96	0	96
4	The Southern Company Inc.	313	272	41
5	The Williams Companies, Inc.	559	540	19
Major Relationships Total		10,725	2,732	7,993
Other Trade Credit Exposures		11,848	2,847	9,001
Total Trade Credit Exposure		22,573	5,579	16,994

☐ Non-Investment Grade Credit Exposures

EC004403480

Top 10 Country Net Credit Exposures

E-Rating	Country	September 30, 2000 In \$MM's	% of Total	December 31, 2000 In \$MM's	% of Total
1	United States	6,442	63%	12,110	69%
1	Canada	1,020	10%	2,270	13%
1	United Kingdom	1,873	18%	2,249	13%
1	Germany	120	1%	115	1%
1	Sweden	N/A		100	1%
1	Switzerland	80	1%	89	1%
1	Norway	N/A		76	
1	Australia	26		38	
7	Philippines	46		37	
6	Slovakia	N/A		36	
1	Singapore	45		N/A	
9	Argentina	28		N/A	
1	Netherlands	26		N/A	
Top 10 Total		9,706		17,120	
Other Countries Net Credit Exposure		451		429	
Total Net Credit Exposure		10,157		17,549	



Debt Instrument Performance

Non-Performing Exposure Detail

Type of Credit	Country	E-Rating	Transaction	Industry Sector	Net Cost (\$MM's)	Net Carry Value (\$MM's)	Life to Date Change in Value (\$MM's)	Q4'00 Change in Value (\$MM's)
Merchant	United States	12	Kafus/CanFibre	Paper / Pulp	23.39	0.00	(23.39)	0.00
Merchant	United States	12	Ecogas	Oil & Gas: A&D	19.79	0.00	(19.79)	(13.23)
Merchant	Thailand	12	NSM	Steel	19.28	0.00	(19.28)	0.00
Merchant	United States	12	Hughes Rawls	Oil & Gas: E&P	7.56	1.18	(6.38)	0.00
Merchant	United States	12	Industrial Holdings	Oil Field Services	7.50	7.12	(0.38)	0.00
Trade	United States	12	Arcadia	Energy Marketing	5.94	5.94	0.00	0.00
Trade	United States	12	Badak Gas Marketing Inc	Oil & Gas: E&P	8.44	8.44	0.00	0.00
Trade	United States	12	Perry Gas	Energy Marketing	8.97	8.97	0.00	0.00
			All Others		7.49	6.82	(0.67)	(0.44)
Total Non-Performing Credit Exposure					108.36	38.47	(69.89)	(13.67)
Total Net Credit Exposure					\$ 17,548.65			
Non-Performing Percentage					0.22%			
Non-Performing Assets held by ENA CLO (Merlin)								
Merchant	United States	12	Heartland Steel *	Steel	15.00	15.00	0.00	0.00
Merchant	United States	12	Kafus/CanFibre *	Paper / Pulp	60.00	60.00	0.00	0.00
Merchant	United States	12	LSI Electric Specialty *	Oil Field Services	0.18	0.18	0.00	0.00
Merchant	United States	12	TransCoastal Marine Services *	Oil Field Services	20.00	20.00	0.00	0.00
Total ENA CLO (Merlin)					95.18	95.18	0.00	0.00

Counterparties new to "Debt Instrument Performance" list from September 30, 2000

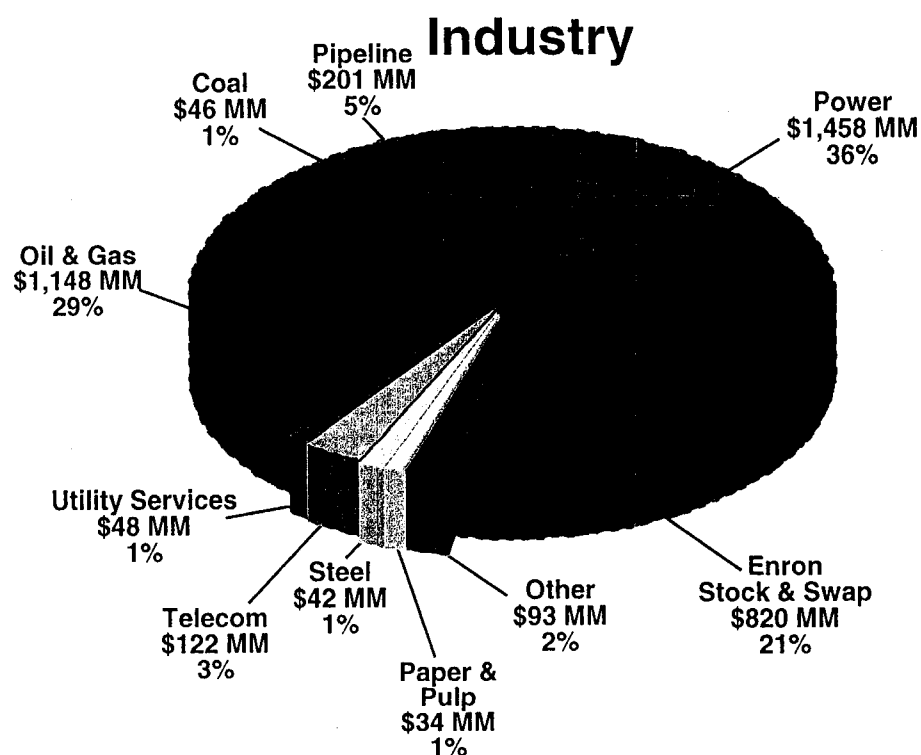
* Represents Non-Performing Assets which were sold to Merlin CLO and therefore not included on Enron's balance sheet or marked to market. Balances shown represent the asset basis in the CLO which is exposure to Enron through a \$113MM credit derivative.

Equity Instruments

as of December 31, 2000

Net Equity Exposure \$4.01 Bn

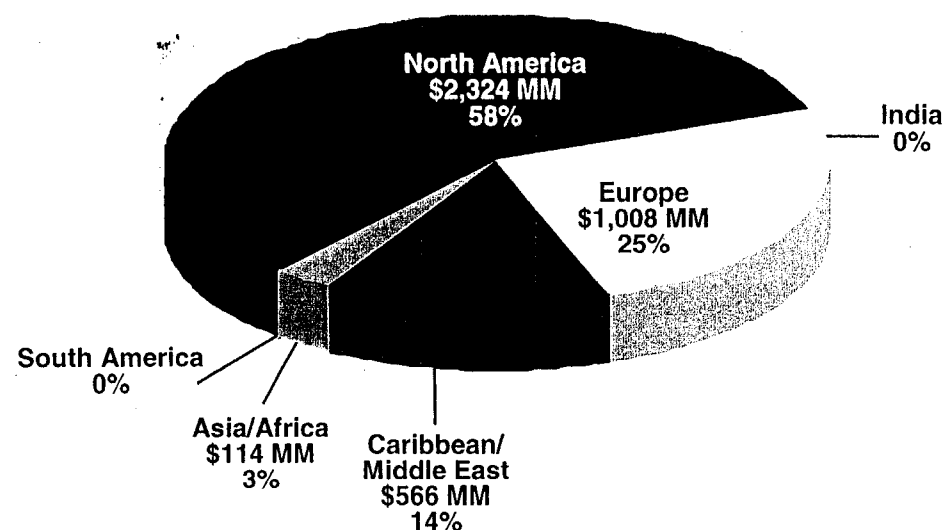
\$4.16 Bn



Q4'00 FV Increase / Decrease

+ \$99MM	Mariner – Oil & Gas
+ \$62MM	Hanover – Oil & Gas
- \$93MM	Catalytica – Utility Services
- \$69MM	Avici – Telecom

Geographic Region



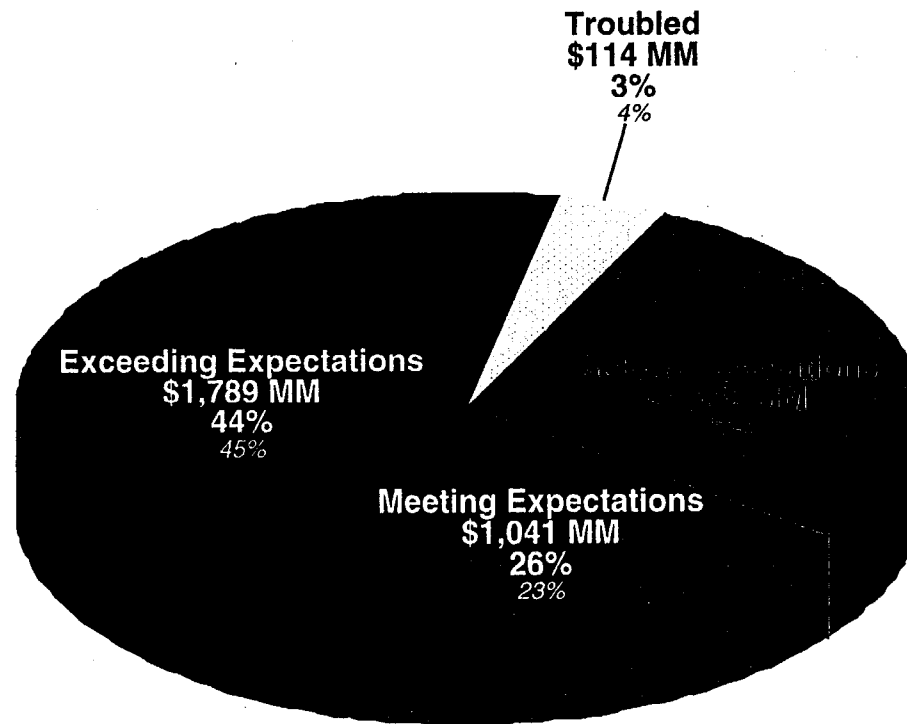
Numbers in italics represent comparable amounts at September 30, 2000.

Equity Instruments Performance

as of December 31, 2000

Net Equity Exposure \$4.01 Bn

\$4.16 Bn



EC004403484

Numbers in italics represent comparable amounts at September 30, 2000.

Equity Instrument Performance

Troubled Asset Detail

Business Unit	Country	Transaction	Asset Book	Industry Sector	Net Cost (\$MM's)	Net Carry Value (\$MM's)	Life to Date Change in Value (\$MM's)	Q4'00 Change in Value (\$MM's)
Enron Americas	United States	Kafus/CanFibre	Public Equity	Paper/Pulp	45.64	0.00	(45.64)	0.00
Enron Americas	United States	Ecogas	Private Equity	Oil & Gas: A&D	20.75	0.00	(20.75)	0.00
Enron Americas	United States	Hughes Rawls	Private Equity	Oil & Gas: E&P	12.03	0.00	(12.03)	0.00
Enron Americas	Thailand	NSM	Public Equity	Steel	12.03	0.00	(12.03)	0.00
Enron Americas	United States	Crown Energy	Private Equity	Other	5.47	0.00	(5.47)	0.00
Enron Americas	United States	Inland Resources, Inc.	Public Equity	Oil & Gas: A&D	6.92	5.24	(1.68)	(0.52)
Enron Global Assets	Venezuela	Citadel Venezolana	Physical Assets	Other	10.72	10.72	0.00	0.00
Enron Global Markets	Puerto Rico	San Juan Gas	Physical Assets	Pipeline	13.51	13.51	0.00	0.00
Enron Americas	United States	EnSerCo Offshore	Private Equity	Oil Field Services	5.19	5.19	0.00	0.00
Enron Americas	United States	Merlin CLO Equity Option	Private Equity	Other	23.50	23.50	0.00	0.00
Enron Americas	United States	Heartland Steel	Private Equity	Steel	25.44	41.75	16.31	0.00
		All Others			29.59	14.31	(15.28)	0.84
Total Troubled Equity					210.79	114.22	(96.57)	0.32
Total Net Equity Exposure					\$ 4,011.91			
Troubled Percentage					3%			

EC004403485

Bottom 10 Investments

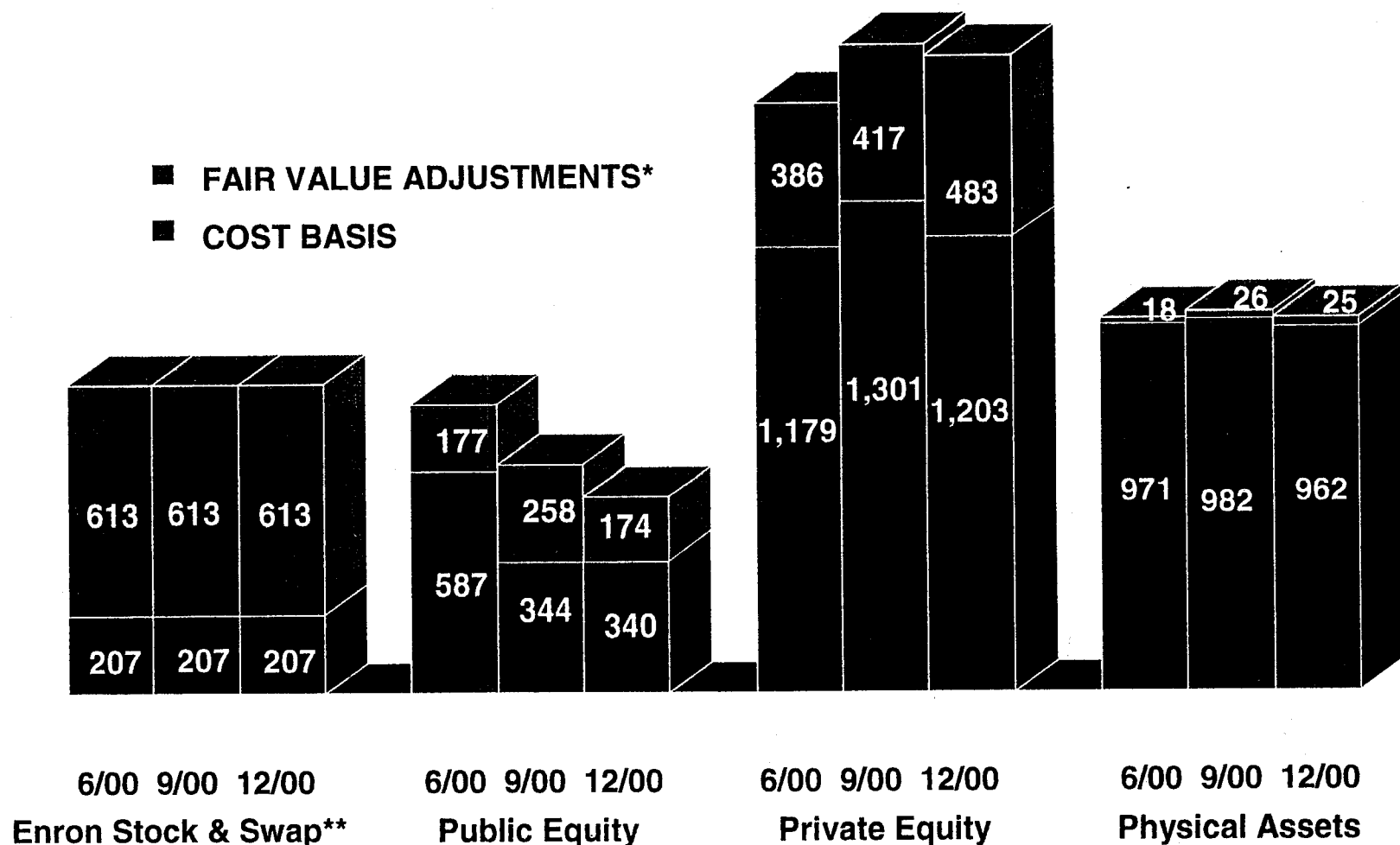
	Net Cost (\$MM's)	Net Carry Value (\$MM's)	Life to Date Change In Value (\$MM's)	Remarks
Kafus/CanFibre (Equity & Debt - EA)	69.03	0.00	(69.03)	The British Columbia Supreme Court granted a creditor's petition filed on 8/14/00 and appointed PricewaterhouseCoopers Inc. as interim receiver. The Company continues as a debtor in possession. The ENA CLO (Merlin) Trust also holds \$60 MM in debt.
Ecogas (Private Equity & Debt - EA)	40.54	0.00	(40.54)	The liquidation of Ecogas was recently completed with all remaining assets and facilities having been sold. Unsecured creditors have been settled with and all remaining issues have been adequately reserved.
Hughes Rawls (Private Equity & Sr Loan - EA)	19.59	1.18	(18.41)	The remaining properties in the LLC have been sold. Enron will continue to pursue resolution of certain recent audit findings against the operator of the properties, with some additional minor financial remuneration likely.
				Only 2 of the wells drilled have proved to be economically viable and the PV10 reserve value on them is marginal. The original LLC structure is being dissolved,

Top 10 Investments

Net Cost (\$MM's)	Net Carry Value (\$MM's)	Life to Date Change in Value (\$MM's)	Remarks
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Merchant Equity Investments - Fair Market Value

as of December 31, 2000
(\$MM's)



* Includes write-ups and write-downs.

** Includes a swap entered into at a price of \$71. The swap expires June 14, 2001.

EC004403488

EES Status Report

EC004403489

4 - 18

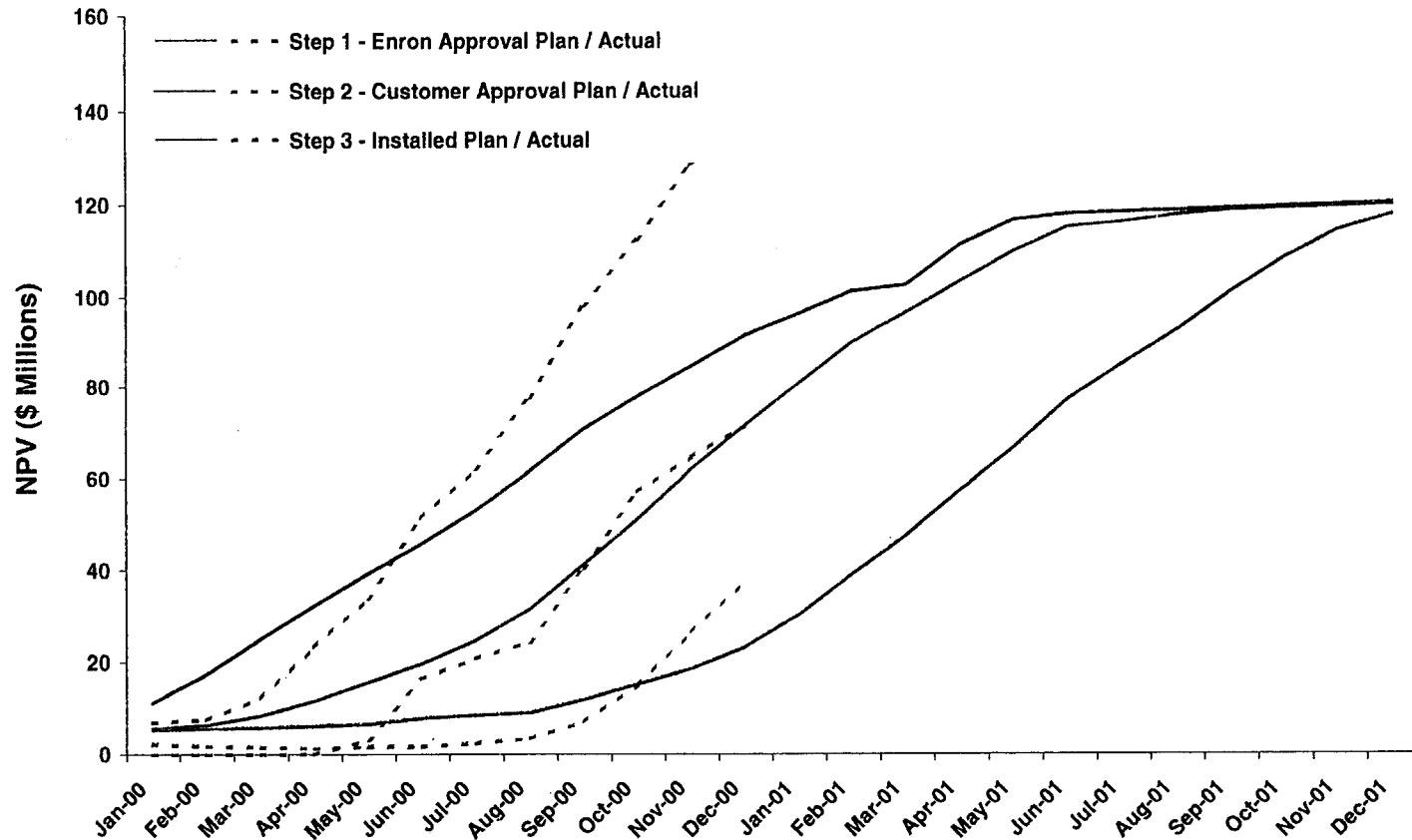


Finance Committee Meeting

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Energy Asset Projects - Net Present Value

as of December 31, 2000



- ◆ Excellent progress continued in developing projects and obtaining customer approvals
- ◆ Project installation now ahead of plan
- ◆ Next step is to verify actual project performance:

Valuation personnel now in place, methodology / process developed

Pre-project baseline measurements starting

Post-project performance measurement will follow

Energy Asset Management Verification

◆ Sample:

A total of thirty-four completed projects have been evaluated for actual performance relative to engineering estimate.

◆ Projected versus Actual:

	<u>Projected</u>	<u>Actual</u>	<u>Variance</u>
NPV	\$9.67 MM	\$9.52 MM	-1.55%
Standard Deviation		44%	

◆ Conclusion:

Net present value close to projected.

◆ Issues:

- 1) Wide distribution of energy efficiency outcomes.
- 2) Need for pre-measurement. The NPV results above evaluate project performance post-completion, but without pre-measurement, actual energy savings are not validated.

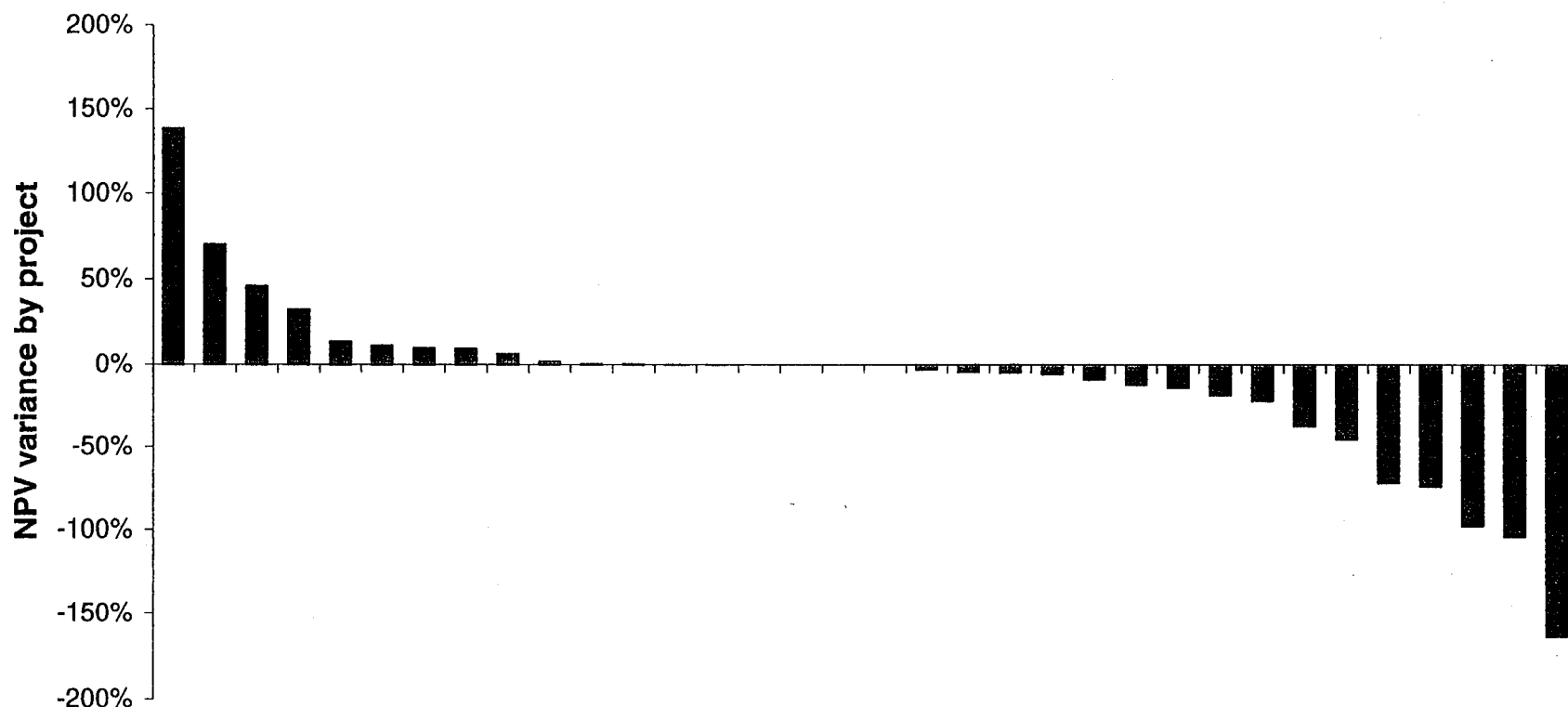
◆ Next Steps:

- 1) Pre-measurement process begun.
- 2) Additional project performance data.

Bray

34 Projects - Project Evaluation

% NPV difference from forecast



Explanations for savings deviations

- ◆ Assumption of baseline energy use was incorrect
- ◆ New equipment has higher or lower efficiency than projected
- ◆ Energy savings modeling inaccuracies

Bray

ID	Task Name	Completed	3rd Quarter			4th Quarter			1st Quarter			2nd Quarter		
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2	Billing Payment System Reconciliation to Commodity Books													
3	Establish plan for legacy deal reforecast													
4	- Deep Dive analysis / data gathering													
5	- Reforecasting performed on all legacy deals													
6	Cash Reconciliation of Liquidation													
7	- Establish plan													
8	- Implementation of "Go-forward" monthly reconciliation													
9	- Reconciliation performed on prior months													
10	Capture Tariff Price From Utility Bills													
11	- Establish plan													
12	Complete Float Analysis - Invoice and Payment System													
13	- Establish plan													
14														
15	Risk Analytics													
16	Position Report													
17	Intramonth reporting for Power West	Complete												
18	Intramonth reporting for Power East													
19	- Create East intramonth book in Access Database													
20	Intramonth reporting for Gas													
21	- Validate ALTRA positions / verify spot curves													
22	- Develop & implement a plan for systems support from ALTRA To RGS													
23	Canadian Risk Position Reporting													
24	- Gas Positions captured in excel model revalued and reported monthly	Complete												
25	- Conversion of Position from excel to RGS	Complete												
26	- Power Canadian wholesale curve developed	Complete												
27	- Power T&D curve development	Complete												
28	- Timely value / report of Power Canada Positions	Complete												
29	Stress testing procedures													
30	Implement global analysis of EES Credit Reserve (after Agg Credit Phase II)													
31	Models													

Project: Risk Analysis
Date: Mon 2/5/01

Task

Progress

Milestone

Summary

California issue has slowed down this effort
JKS discussed urgent change to EES - the positive impact expected

4 - 22

▼ Arrow indicates status as of December BOD meeting

Bout

EES / RAC Task Force

ID	Task Name	Completed	3rd Quarter			4th Quarter			1st Quarter			2nd Quarter		
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
32	Improve and streamline transaction valuation and market risk models													
33	Enhance Risk TRAC to handle risk analytics of EES portfolio (VAR analysis)											P. Layton / M. Tribolet		
34	EAM Options volume													
35	Establish options valuation & MTM	Complete												

D. Draper

EES / RAC Task Force

ID	Task Name	Completed	3rd Quarter			4th Quarter			1st Quarter			2nd Quarter		
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
63	Credit Risk Management													
64	Aggregate Credit Exposure													
65	Phase I													
66	Establish daily feeds for high priority A/R systems (gas, power, bundled)													
67	Establish daily feeds for MTM positions - RPS (power)													
68	Establish daily feeds for MTM position - RGS (gas)													
69	Establish daily feeds for intramonth forward - power west desk													
70	Setup global counterparty ID's for customers (630) with Dec. MTM >													
71	\$100,000 and A/R > \$50,000													
72	Phase II													
73	Establish daily feeds for other A/R systems (Clinton, Bentley, EECC,													
74	NEPCO, Bill Payment Sold)													
75	Establish daily feeds for EFS - A/R and A/P													
76	Setup and establish daily feeds for intramonth book - RPS - East Desk													
77	Setup and establish daily feeds for intramonth book - RGS													
78	Establish daily feeds for A/P													
79	Set up and establish daily feeds for shipped not billed - Power													
80	Set up and establish daily feeds for shipped not billed - Gas													
81	Improve system and business processes of RGS to allow validated data to													
82	be transmitted daily by 5:00 a.m.													
83	Further curve development in RGS and RPS to componentize retail adders													
84	Consolidate benchmark & credit exposure to feed Risk TRAC (by 5:00am)													
85	Setup global counterparty ID's at average rate of 100 per week.													
86	Daily new deals report to assist in daily credit monitoring													
87	Gas	Complete												
88	Power	Complete												
89	Review credit policy with Origination	Complete												
90	Review Transaction Approval Process	Complete												
91	Review credit policy with Trading	Complete												
92	Review EES Clients and Evaluate Portfolio Quality of Credit Exposure													
93	Compare EES booked credit reserves to Credit Department reserve calc	Complete												

Project: Risk Analysis Date: Mon 2/5/01	Task	Progress	Milestone	Summary
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EES / RAC Task Force

ID	Task Name	Completed	3rd Quarter			4th Quarter			1st Quarter			2nd Quarter		
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
94	Review & implement process for booking credit reserves													
95	Review EES cp's,assign E ratings,evaluate portfolio quality of credit exp													
96	Review EFS cp's, assign E ratings, evaluate portfolio quality of credit exp													
97	Review Enron Direct cp's,assign E ratings,evaluate portfolio quality of credit exp													
98	Review Clinton cp's, assign E ratings, evaluate portfolio quality of credit exp													
99	Review EES Accounts Receivable													
100	Identify EES AR systems (listing)	Complete												
101	Establish consolidation timetable													
102	Preparation of AR aging without listing													
103	Preparation of AR aging with listing of obligors													
104	Negative balance reporting													
105	Begin payment rate reporting													
106	Deal Capture Controls													
107	Hire Deal Capture group lead	Complete												
108	Establish centralized deal capture / confirm group													

EC004403496

Market Risk Update

EC004403497

4 - 26



Finance Committee Meeting

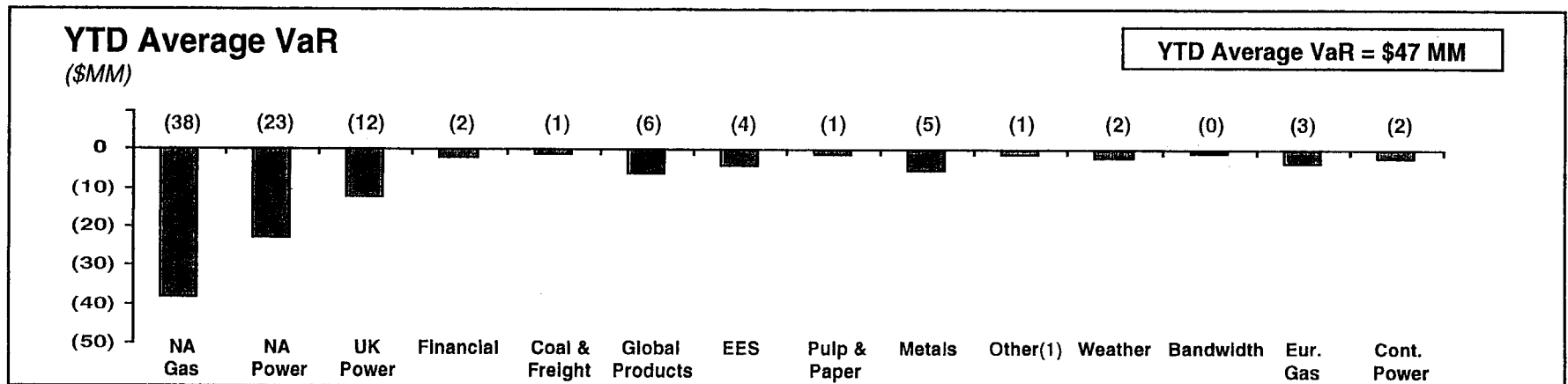
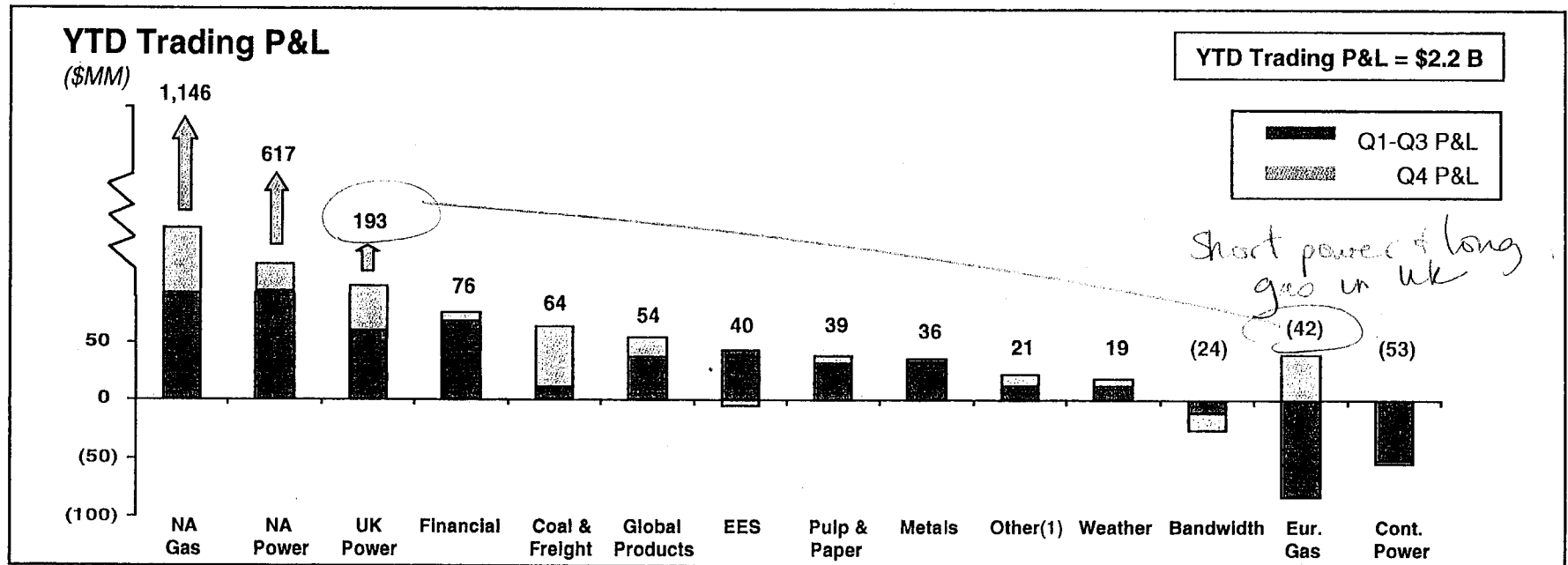
Finance Committee

Table of Contents

- ☐ Risk Profile by Product
- ☐ Risk Profile by Primary Commodity and Business Unit
- ☐ Backtesting of Enron's Aggregate Value-at-Risk Model
- ☐ Stress Testing
- ☐ Enron Foreign Exchange Update
- ☐ Trading Limit Changes
- ☐ Discretionary VaR Allocations
- ☐ Policy Changes

Risk Profile by Product

Year Ended December 31, 2000



Return on VaR YTD	191%	165%	98%	191%	335%	55%	62%	190%	68%	100%	73%	nil	nil	nil	Enron
															290%

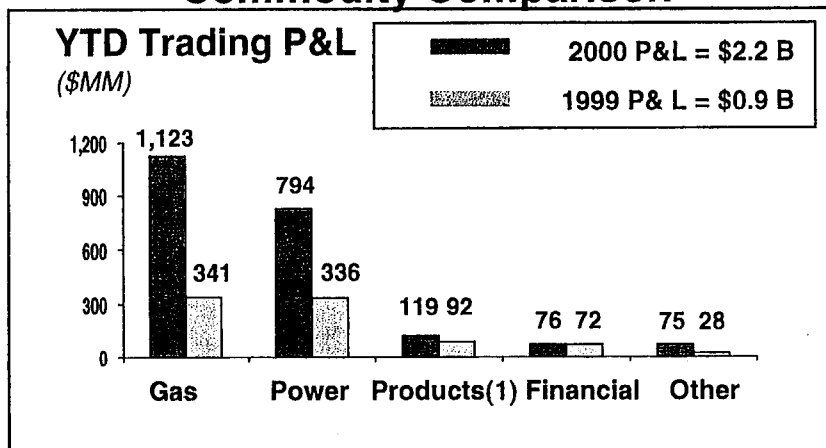
(1) includes all commodities with profit/loss less than \$10 MM

Power

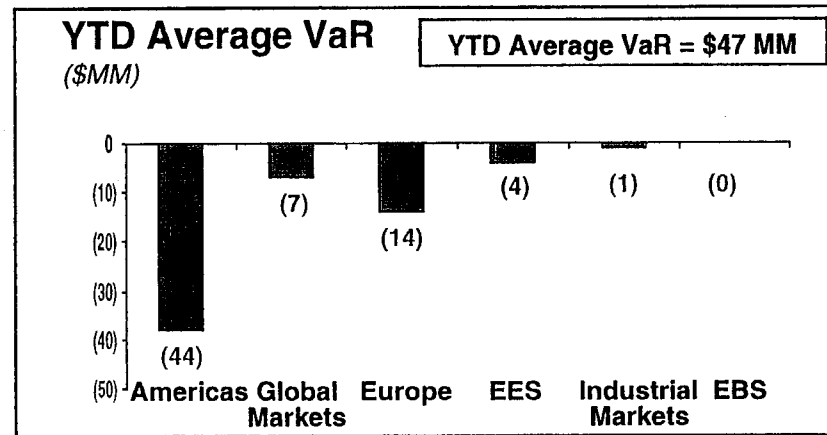
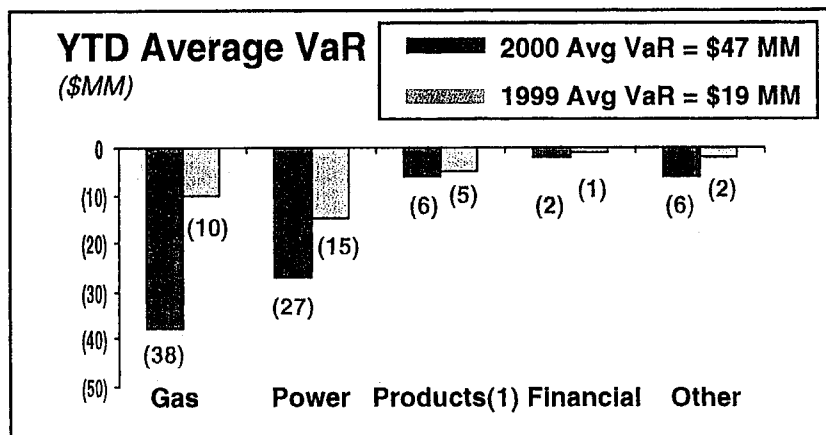
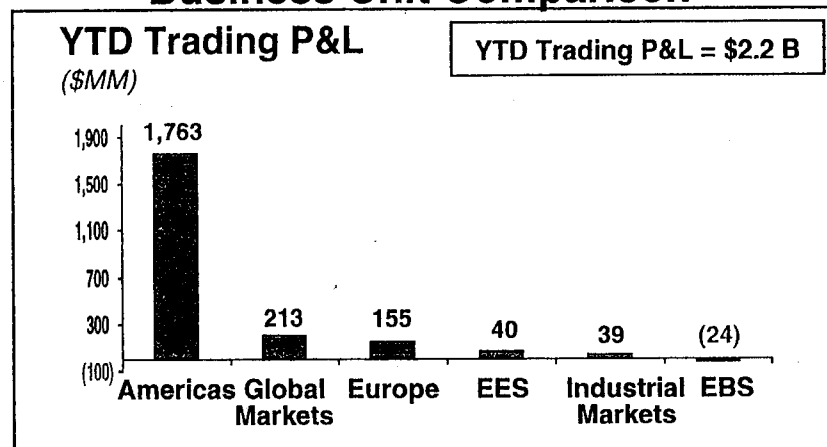
Risk Profile by Primary Commodity and Business Unit

Year Ended December 31, 2000

Commodity Comparison



Business Unit Comparison



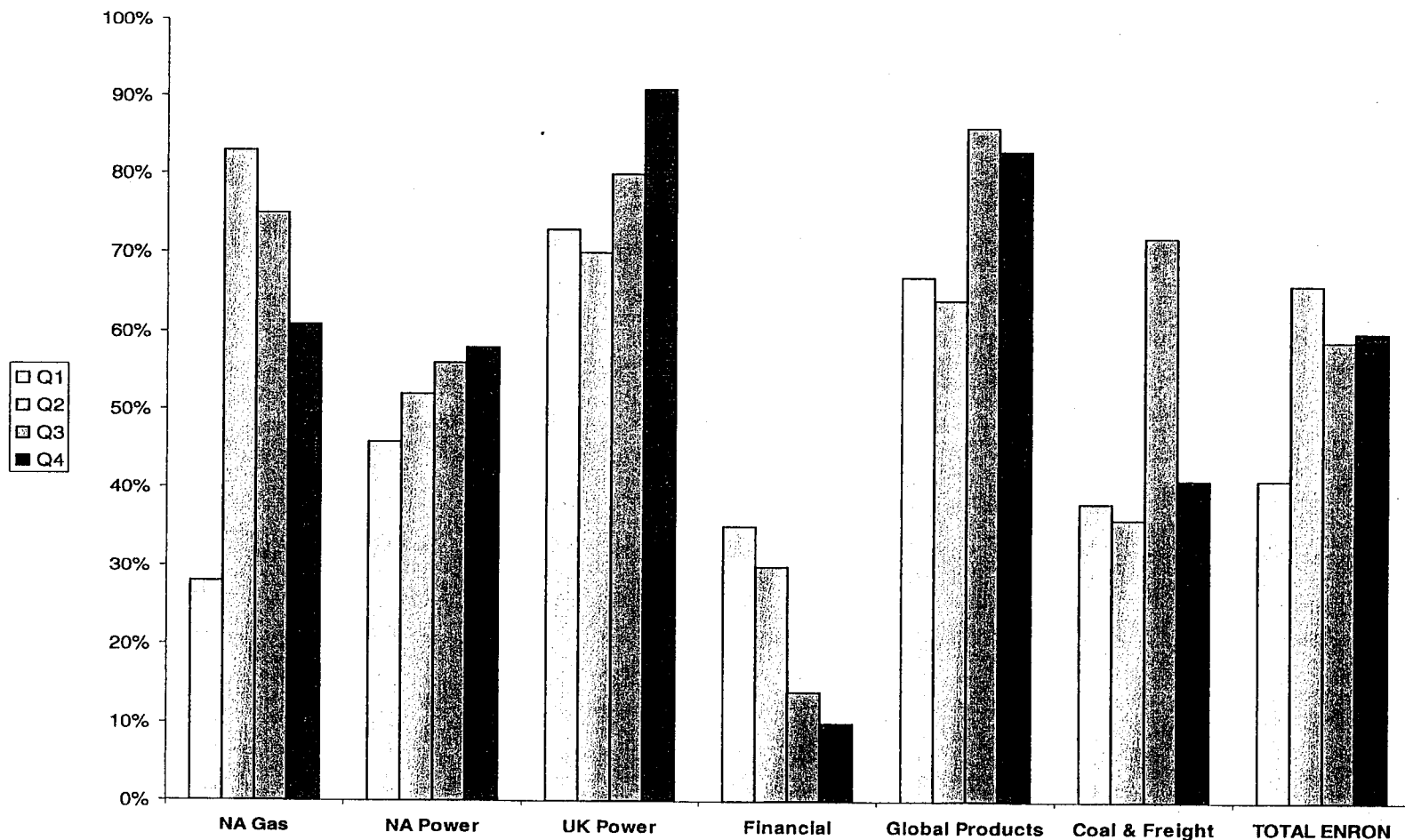
Return on VaR YTD	Gas	Power	Products(1)	Financial	Other
	186%	185%	118%	191%	81%

Return on VaR YTD	Americas Global Markets	Europe	EES	Industrial Markets	EBS Markets
	249%	192%	69%	62%	189%
					nil

(1) includes Coal & Freight and Global Products

buy

2000 Quarterly VaR Limit Utilization



VaR Limit (\$) 40 40 44 70

40 40 40 49

10 18 17 17

9 11 11 11

8 8 8 8

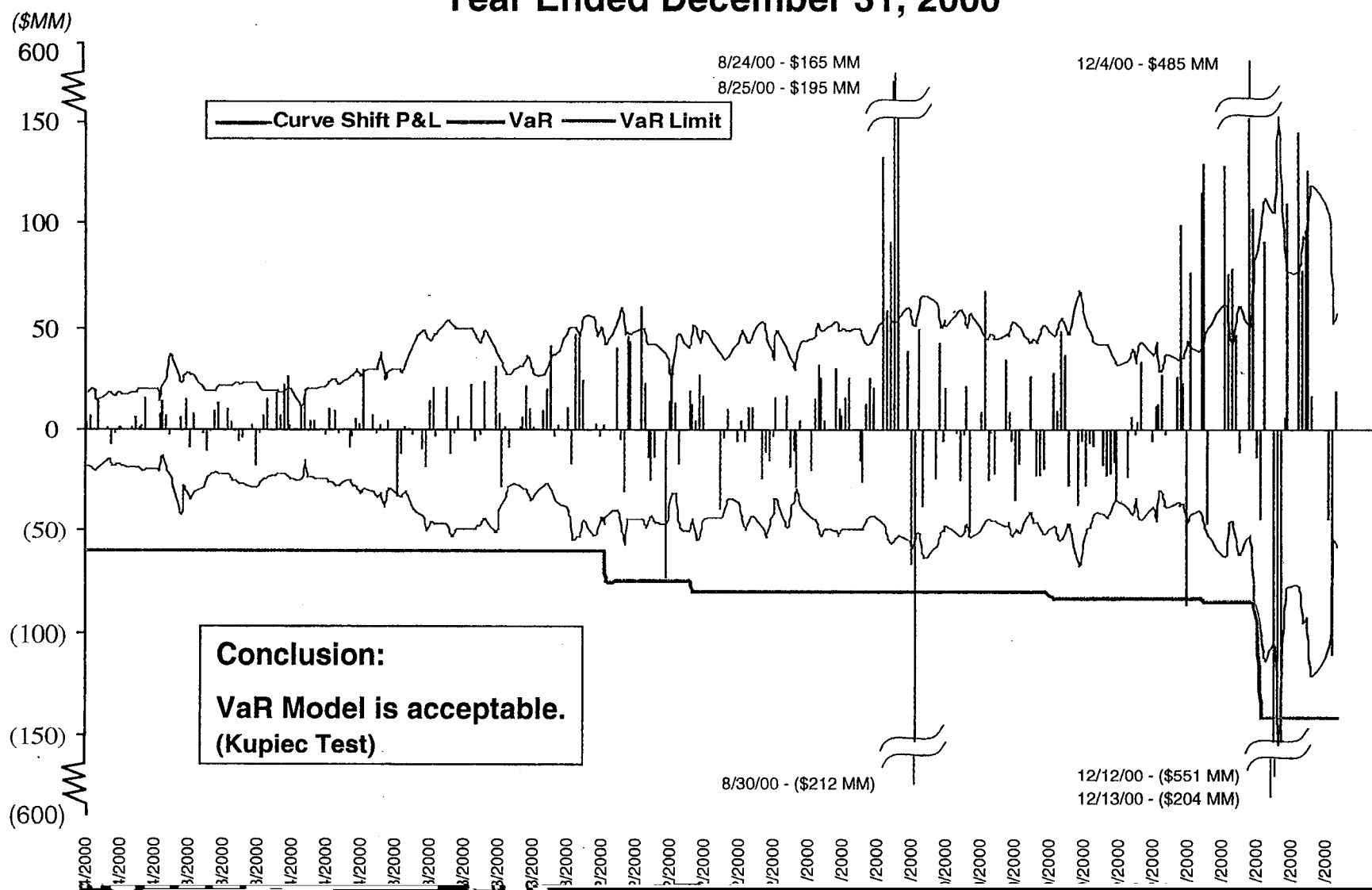
2 2 2 4

60 65 80 100

Buy

Backtesting of Enron Corp. Aggregate VaR

Year Ended December 31, 2000



Stress Scenario: Causes and Effects

\$ millions

- **Summer heat-wave in the US**

- ⇒ Fuel costs embedded in utility tariff rates increase at EES
- ⇒ Gas/Power prices "spike"

\$ (187)

200

- **Bankrupt utilities in volatile emerging markets**

- ⇒ Regulatory ruling in the Western US, providing for rate increases to CA utility customers (\$20 / MWh)
- ⇒ Fixed tariff contracts change to floating contracts - Enron becomes 2.4 million MWh short due to delay in customer switching

(735)

*Already reduced b/c of price turnback.
Will still have exposure*

- **Regulatory paradigm change in Europe (i.e. new electricity trading arrangements) (196)**

- coupled with existing over - supply of gas in the UK
- ⇒ Spread between gas and power widens

- **War in the Middle East and OPEC production cuts**

(4)

- ⇒ Crude oil prices gap upward

Buy discussed certain questions that Pugh had previously asked.

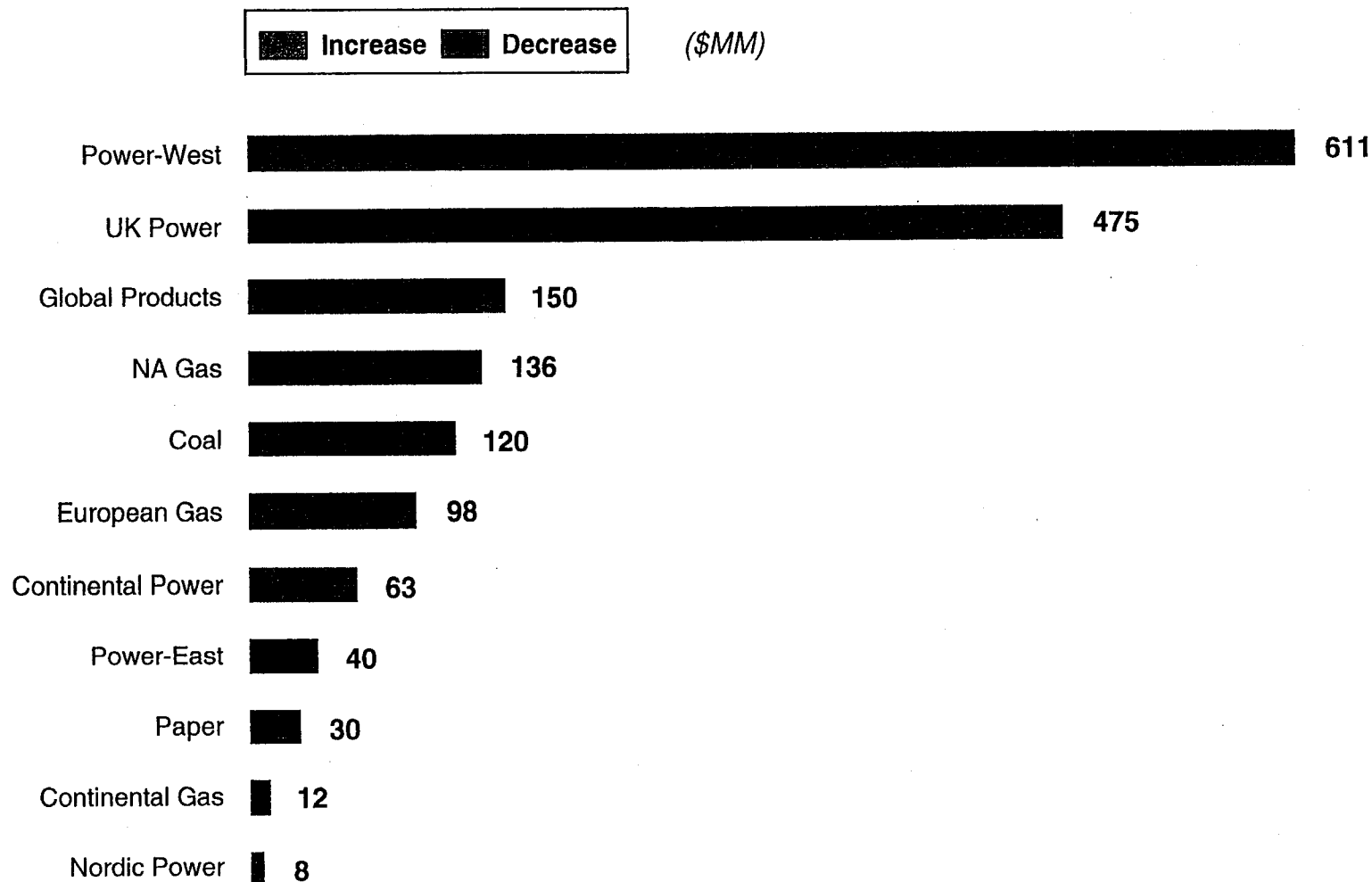
Total Loss

\$ (922)

Stress Testing

Potential Loss from a 25% Parallel Price Shift

December 31, 2000



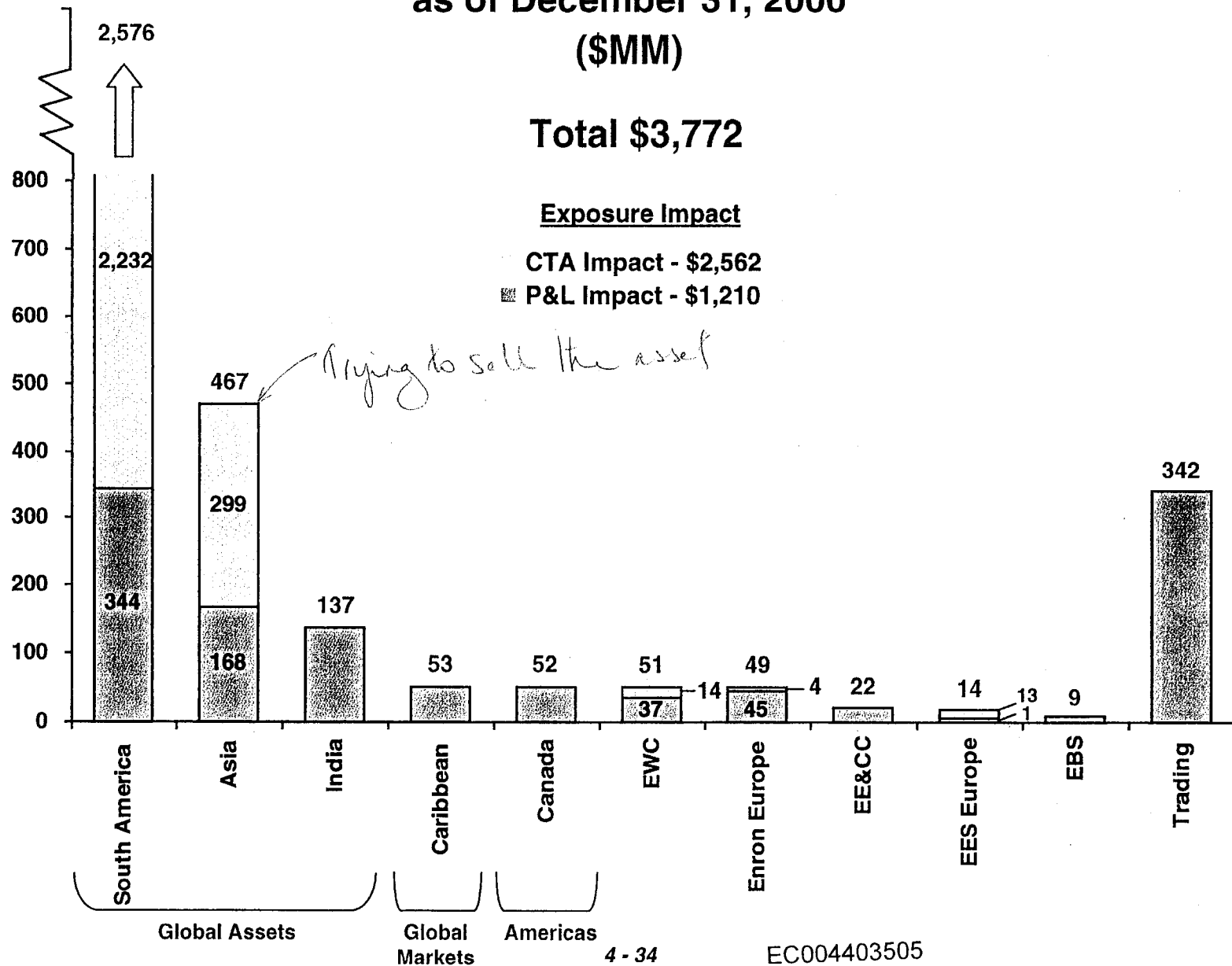
buy

Enron Foreign Exchange

Net Notional Position by Business Unit

as of December 31, 2000

(\$MM)



Bruf

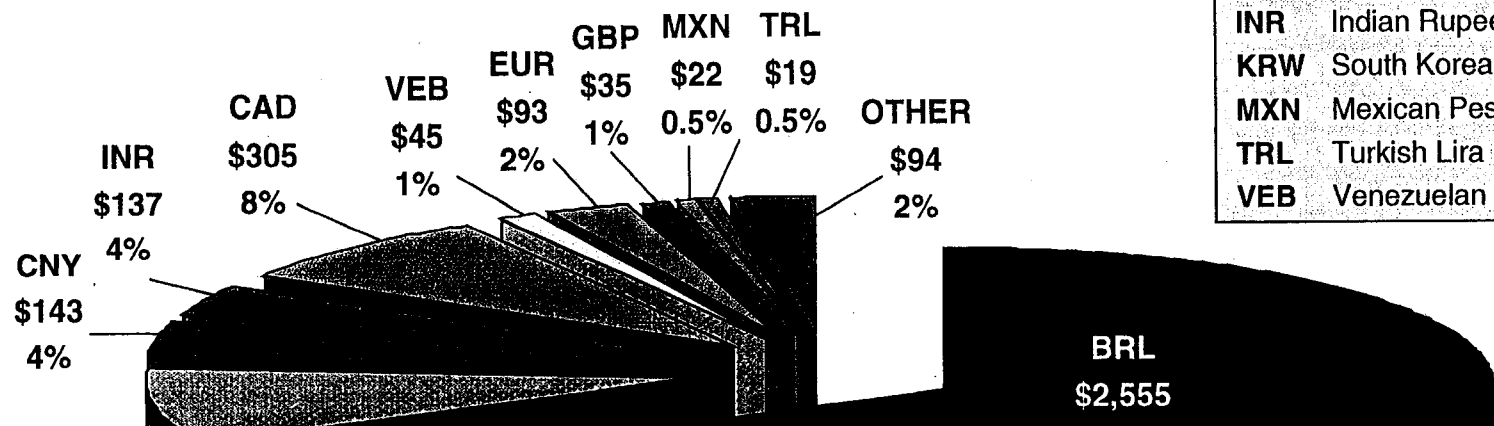
Enron Merchant & Strategic Assets

Net Notional Position by Currency

as of December 31, 2000

(\$MM)

Total \$3,772



Currency Legend

BRL	Brazilian Reais
CAD	Canadian Dollar
CNY	China Renminbi
EUR	Euro
GBP	British Pound
INR	Indian Rupee
KRW	South Korean Won
MXN	Mexican Peso
TRL	Turkish Lira
VEB	Venezuelan Bolivar

Enron Sensitivity Analysis

Comparison of South America vs. All Other Business Units
Year Ended December 31, 2001

(\$MM)

200

150

Trading Portfolio VaR* \$3MM

10% Appreciation
above Plan
238

Foreign Exchange Project Update

The Strategic Risk Management (SRM) group is investigating possible risk mitigation strategies due to changing market conditions in South Korea

Currency

- The Korean Won (KRW) has depreciated 13% vs. the USD in the last three months.
- Corporate Korea (importers and exporters) is net short USD. Pressure on the Won will persist on the back of short covering.

Industrial

- Exports, namely DRAM, are at their slowest pace since May 1999. The growth of electronic shipments has decreased to 15.7% from 30% last year.
- In addition to high crude prices, a 0.4% increase in Consumer Prices in December poses an inflationary risk.

Market

- Korean Composite Stock Index has shown extreme volatility, after gaining 83% in 1999 it dropped 50% between 01/00 and 10/00.

Page - New & similar categories. Can we just have a new business category

Summary of Trading Limit Changes

We recommend BOD approval of the following trading limits as amendments to the Risk Management

Policy appendices:

lots of discussion

	<u>Recommended Permanent Limit</u>	<u>Existing Permanent Limit</u>
AGGREGATE VaR LIMIT	\$125 MM	\$100 MM
Corporate Discretionary VaR Limit	\$ 25 MM	\$ 25 MM in Oct 2000
<u>European Natural Gas</u>		
Net Open Position Limit	200 Bcf *	60 Bcf
Maturity / Gap Limit	90 Bcf 12-month (no change)	90 Bcf 12-month
VaR Limit	\$10 MM	\$7.5 MM
* Temporary limit of 260 Bcf expired year end 2000; permanent limit requested above will be decreased when markets allow optimum management of the large position resulting from a BOD approved transaction		
<u>Weather Derivatives</u>		
Net Open Position Limit	40,000 EOL Equiv. Contracts	30,000 EOL Equiv. Contracts **
Maturity / Gap Limit	N/A	N/A
VaR Limit	\$4.5 MM	\$3 MM
** \$100 MM notional value		
<u>Coal and Freight</u>		
Net Open Position Limit	30 MM MT	15 MM MT
Maturity / Gap Limit	30 MM MT 12-month	15 MM MT 12-month
VaR Limit	\$7 MM ***	\$4 MM ***
*** Freight limited to \$2MM VaR (No Change)		
<u>Global Products</u>		
Net Open Position Limit	18 MM Bbl	12.5 MM Bbl
Maturity / Gap Limit	19 MM Bbl 12-month	15 MM Bbl
VaR Limit	\$15 MM ****	\$8 MM

**** \$4 MM VaR increase to \$12MM for regular Global Products trading, plus \$3 MM VaR for EOL Crude trading

Discussion betw. Reg & JKS regarding the 4 - 38 need for increases especially in regards to the 4-39

Summary of Trading Limit Changes

Recommended Changes to Policy Limits (continued):

	<u>Recommended Permanent Limit</u>	<u>Existing Permanent Limit</u>
<u>LNG</u>		
Net Open Position Limit	9 Bcf	None
Maturity / Gap Limit	12 Bcf 12-month	None
VaR Limit	\$5 MM	None
<u>Equity Trading</u>		
Net Open Position Limit	\$200 MM	\$100 MM
Maturity / Gap Limit	N/A	N/A
VaR Limit	\$10 MM	\$6 MM
<u>Convertible Arbitrage</u>		
Net Open Position Limit	\$150 MM	*****
Maturity / Gap Limit	N/A	*****
VaR Limit	\$2 MM	*****
***** This product was included in the Debt trading commodity group that was transferred to Enron Europe and combined with Credit trading in December 2000; new limits requested to establish separate commodity group in Global Markets in 2001		
<u>Financial Instruments</u>		
Foreign Currency:		
Net Open Position Limit	\$150 MM	\$100 MM
Maturity / Gap Limit	N/A	N/A
Interest Rate:		
Net Open Position Limit	\$250,000/bp	\$100,000/bp
Maturity / Gap Limit	N/A	\$ 50.000/bp (<= 2 yrs)
VaR Limit	\$5 MM (Combined)	\$3 MM (Combined)

Summary of Trading Limit Changes

Recommended Changes to Policy Limits (continued):

	<u>Recommended Permanent Limit</u>	<u>Existing Interim Limit</u>
<u>Soft Commodities</u>		
Net Open Position Limit	4,000 Contracts	2,000 Contracts
Maturity / Gap Limit	N/A	2,000 Contracts
VaR Limit	\$2 MM	\$0.75 MM
<u>Grains</u>		
Net Open Position Limit	750 Contracts	1,000 Contracts
Maturity / Gap Limit	N/A	1,000 Contracts
VaR Limit	\$0.5 MM	\$0.5 MM
<u>Meats (formerly called Livestock)</u>		
Net Open Position Limit	750 Contracts	1,000 Contracts
Maturity / Gap Limit	N/A	1,000 Contracts
VaR Limit	\$0.5 MM	\$0.75 MM
<u>Advertising Swaps</u>		
Benchmark	New York A1849 PR CPP	Houston CPP
Net Open Position Limit	54 CPP	782 CPP
Maturity / Gap Limit	108 CPP	782 CPP
VaR Limit	\$2 MM	\$1 MM
<u>NA Portfolio Management</u>		
Net Open Position Limit	N/A	N/A
Maturity / Gap Limit	N/A	N/A
VaR Limit	Terminated	\$5 MM

Discretionary VaR Allocations

Year Ended December 31, 2000

Date	Commodity	Discretionary VaR
12/28/00 - 1/4/01	NA Natural Gas	\$10 MM
12/7/00 - 12/27/00	NA Natural Gas	\$50 MM
7/12/00 - 10/5/00	NA Natural Gas	\$ 5 MM
6/26/00 - 12/12/00	NA Cross-Commodity	\$ 5 MM
12/7/00 - 1/4/01	UK Power	\$ 5 MM
11/22/00 - 1/5/01	NA EES	\$ 2 MM
6/15/00 - 10/6/00	NA EES	\$ 5 MM
10/31/00 - 12/12/00	Pulp & Paper	\$ 2 MM
10/31/00 - 12/12/00	Steel	\$ 1 MM

Summary of Policy Changes

We recommend BOD approval of the following amendments to the Risk Management Policy:

- ◆ Provide for notification of limit violations and loss notifications to the President and CEO at the discretion of the Chief Risk Officer, rather than the existing structured reporting.
 - Maintain commodity level automatic loss notification and limit violation requirements to Business Unit Office of the Chairman:
 - Daily Loss > 100% VaR Limit; Cumulative 5-day Loss > 125% VaR Limit
 - Net Open Position, Maturity/Gap, VaR > 105% VaR Limit
 - Maintain Aggregate Daily Loss and Aggregate VaR Limit notifications to President, CEO, Chairman of the Board, and Chairman of Finance Committee:
 - Daily Loss > 100% Aggregate VaR Limit
 - Aggregate VaR > 115% of Aggregate VaR Limit
- ◆ Delegate to the Chief Risk Officer the authority for Discretionary VaR allocation to facilitate a new market driven allocation framework, rather than requiring both the Chief Risk Officer and the President to approve.
 - Refine the calculation of Discretionary VaR available for allocation to consider portfolio diversification effect, VaR utilization, and other significant factors as determined by the Chief Risk Officer.

Summary of Policy Changes

(continued)

Recommended BOD approval of the following amendments to the Risk Management Policy (cont.):

- ◆ Clarify the cross-commodity trading policy to specify that trading limits are to be applied against Enron's consolidated commodity positions on an individual commodity group basis; Enron's consolidated Daily Position Report should provide required market risk disclosures by primary commodity group; for example, Enron's exposure to the North American Natural Gas market shall be aggregated across the company.
 - Delegate cross-commodity trading approval among established commodity groups to the respective Business Units Offices of the Chairman, with appropriate reporting to the Enron Corp. Chief Risk Officer.
- ◆ Specify the operational control requirement that all trades executed over the telephone must be recorded electronically.

EC004403514

Agenda Item 5

EC004403515

Enron Corp

Projects and Amendments February 12, 2001

EC004403516

5-1



Finance Committee Meeting

Agenda Item 5a

EC004403517

Interoffice Memorandum



To: The Finance Committee of the Board of Directors

From: Jeff Skilling and Rick Buy

Department: Risk Assessment and Control

Date: February 12, 2001

Subject: Recommended Changes to the Risk Management Policy

[REDACTED]

Proposed

Existing
Limits

	<u>Proposed Permanent Limits</u>	<u>Existing Limits</u>
<u>Equity Trading</u>		
Net Open Position Limit	\$200 MM	\$100 MM
Maturity / Gap Limit	N/A	N/A
VaR Limit	\$10 MM	\$6 MM
<u>Convertible Arbitrage</u>		
Net Open Position Limit	\$150 MM	*****
Maturity / Gap Limit	N/A	*****
VaR Limit	\$2 MM	*****

***** This product was included in the Debt trading commodity group that was transferred to Enron Europe and combined with Credit trading in December 2000; new limits requested to establish separate commodity group in Global Markets in 2001

Financial Instruments

Foreign Currency:

Net Open Position Limit	\$150 MM	\$100 MM
Maturity / Gap Limit	N/A	N/A

Interest Rate:

Net Open Position Limit	\$250,000/bp	\$100,000/bp
Maturity / Gap Limit	N/A	\$ 50,000/bp(<=2 yrs)
VaR Limit	\$5 MM (Combined)	\$3 MM (Combined)

Soft Commodities

Net Open Position Limit	4,000 Contracts	2,000 Contracts
Maturity / Gap Limit	N/A	2,000 Contracts
VaR Limit	\$2 MM	\$0.75 MM

Grains

Net Open Position Limit	750 Contracts	1,000 Contracts
Maturity / Gap Limit	N/A	1,000 Contracts
VaR Limit	\$0.5 MM	\$0.5 MM

Meats (formerly called Livestock)

Net Open Position Limit	750 Contracts	1,000 Contracts
Maturity / Gap Limit	N/A	1,000 Contracts
VaR Limit	\$0.5 MM	\$0.75 MM

Advertising Swaps

Benchmark	New York A1849 PR CPP	Houston CPP
Net Open Position Limit	54 CPP	782 CPP
Maturity / Gap Limit	108 CPP	782 CPP
VaR Limit	\$2 MM	\$1 MM

NA Portfolio Management

Net Open Position Limit	N/A	N/A
Maturity / Gap Limit	N/A	N/A
VaR Limit	Terminated	\$5 MM

EC004403519

5A-2

II. We are recommending BOD approval of the following amendments to the Risk Management Policy:

- ◆ Provide for notification of limit violations and loss notifications to the President and CEO at the discretion of the Chief Risk Officer, rather than the existing structured reporting.
 - Maintain commodity level automatic loss notification and limit violation requirements to Business Unit Office of the Chairman:
 - Daily Loss > 100% VaR Limit; Cumulative 5-day Loss > 125% VaR Limit
 - Net Open Position, Maturity/Gap, VaR > 105% VaR Limit;
 - Maintain Aggregate Daily Loss and Aggregate VaR Limit notifications to President, CEO, Chairman of the Board, and Chairman of Finance Committee:
 - Daily Loss > 100% Aggregate VaR Limit
 - Aggregate VaR > 115% of Aggregate VaR Limit
- ◆ Delegate to the Chief Risk Officer the authority for Discretionary VaR allocation to facilitate a new market driven allocation framework, rather than requiring both the Chief Risk Officer and the President to approve.
 - Refine the calculation of Discretionary VaR available for allocation to consider portfolio diversification effect, VaR utilization, and other significant factors as determined by the Chief Risk Officer.
- ◆ Clarify the cross-commodity trading policy to specify that trading limits are to be applied against Enron's consolidated commodity positions on an individual commodity group basis; Enron's consolidated Daily Position Report should provide required market risk disclosures by primary commodity group; (for example, Enron's exposure to the North American Natural Gas market shall be aggregated across the company).
- Delegate cross-commodity trading approval among established commodity groups to the respective Business Units Offices of the Chairman, with appropriate reporting to the Enron Corp. Chief Risk Officer.
- ◆ Specify the operational control requirement that all trades executed over the telephone must be recorded electronically.

5A-3

EC004403520

ENRON CORP.
RISK MANAGEMENT POLICY
Approved by Enron Corp. Board of Directors

Proprietary and Confidential

Approved: October 1, 1996	Amended: February 7, 2000	Amended: February 13, 2001
Amended: December 8, 1998	Amended: May 2, 2000	
Amended: May 3, 1999	Amended: August 8, 2000	
Amended: August 10, 1999	Amended: October 7, 2000	
Amended: October 20, 1999	Amended: December 12, 2000	
Amended: December 14, 1999		

I. General Authorization

Enron Corp. is authorized to execute Transactions and manage these Transactions within certain authorized Portfolios in support of its businesses.

All Transactions covered by this policy must be conducted in compliance with all Enron Corp. policies, as each may be amended, supplemented or restated from time to time (collectively the "Enron Corp. Policies").

II. Portfolios

Designated Enron Business Units are authorized to enter into Transactions which create Positions for Enron Corp. and its affiliates, other Enron Business Units or their respective customers within the authorized Commodity Groups and limits, specified in the Appendices. These Positions are managed in the following Portfolios:

- A. **Trading Portfolio** – designed to capture and manage risks related to physical delivery of energy and other commodities, to provide related risk management services, to take advantage of market arbitrage opportunities and to manage positions within the approved limits. This portfolio includes commodity transactions, financial instruments and securities transactions.
- B. **Merchant Portfolio** – designed to capture and manage merchant investments in public and private companies, including the active management of embedded exposures and to provide greater liquidity for Enron's merchant investment activities, consistent with Enron Corp.'s core competencies within the approved limits. This portfolio includes equity, "equity-like," debt and "debt-like" investments in the public and private sector.
- C. **Capital Portfolio** – designed to accommodate positions and transactions in Enron's own stock or derivatives thereof which may occur from time to time in the execution of approved structural transactions (for example, stock buy-backs, hedging of stock option programs, etc.).

III. Position and Loss Notification Requirements

Generally, Enron Business Units' business activities are subject to a combination of limits. These limits include, but are not limited to: Net Open Position, Maturity/Gap Risk, Potential Exposure (VaR), Regulated Exchange Limits, and Loss Notifications, as appropriate for the type of business activity under consideration.

EC004403521

5A-4

ENRON CORP.
RISK MANAGEMENT POLICY
Proprietary and Confidential

Portfolio level, as appropriate and monitored daily.

- C. **Loss Notifications.** The Enron Corp. Chief Risk Officer shall ensure the prompt communication to the Enron Business Unit Office of the Chairman, if a Daily Loss in any Commodity Group or Portfolio is in excess of the corresponding VaR limit. The Enron Corp. Chief Risk Officer shall ensure the prompt communication to the Enron Corp. President, Chief Executive Officer, Chairman of the Board, and the Chairman of the Finance Committee of Enron Corp., if the aggregate Daily Loss is in excess of the Aggregate VaR Limit.

The Enron Corp. Chief Risk Officer shall ensure the prompt communication to the Enron Business Unit Office of the Chairman, if a Cumulative 5-day Loss in any Commodity Group or Portfolio is in excess of 125% of the corresponding VaR Limit.

- D. **Reporting to the President, Chief Executive Officer, Chairman of the Board, Audit and Finance Committees of the Board of Directors.** Aggregate loss notifications and limit violations shall be communicated to the President, Chief Executive Officer, Chairman of the Board of Directors, and Chairman of the Finance Committee by the Chief Risk Officer of Enron Corp., as specified in Section IV. of this policy, and as otherwise determined by the Chief Risk Officer. Aggregate and other limit violations along with a summary of Enron's market risks will be reported to the Audit Committee of the Board of Directors by the Chief Risk Officer of Enron Corp. at all regularly scheduled Audit Committee meetings.

V. Operations and Controls

- A. **Segregation of Duties.** Enron Business Units shall keep segregated from the business groups or individuals entering into Transactions each of the following activities: recording and aggregation of Transactions; preparation, issuance and verification of Enron Corp. or third-party documentation;

The President of Enron Corp. or Enron Corp. Chief Risk Officer shall designate individuals who are authorized to approve the Daily Position Report on behalf of Enron Corp. After approval, a consolidated Daily Position Report shall be distributed to the Chief Executive Officer, the President, the Chief Accounting Officer, the Chief Risk Officer of Enron Corp. and others as designated by the President or the Chief Risk Officer of Enron Corp.

- C. **Stress and Scenario Testing.** On a monthly basis, or as markets dictate, designated Enron Business Units shall formulate and examine the effects of extreme changes in the market parameters relevant to exposures and positions. Results of these tests should be made available to the Enron Corp. Chief Risk Officer, or his designee(s).
- D. **Valuation.** On a monthly basis, or as markets dictate, designated Enron Business Units shall provide evidence of verification of all market parameters used in the calculation of risk metrics and profits and losses. This should be made available to the Enron Corp. Chief Risk Officer, or his designee(s).
- E. **Transaction Approval and Execution.** Only those employees designated by the Enron Corp. Chief Risk Officer or his designee(s) will be authorized to enter into Transactions on behalf of Enron. The Chief Risk Officer must also maintain a record of those employees responsible for the individual Commodity Groups (Commodity Group Manager) as specified in the Appendices. Individuals will be named as commodity leaders to manage Enron's aggregate position across the company as

the appropriate Enron desk(s), with appropriate notification to the Chief Risk Officer or his designee(s). Hedge positions should be in instruments that have an observable correlation with the underlying exposure, and should be rebalanced regularly to substantially neutralize the underlying exposure.

Upon notification to the Chief Risk Officer or his designee(s), the Enron Business Unit Office of the Chairman who has authority for that commodity group may authorize a specific trader in a different commodity group to take speculative positions with other Enron trading desks in commodities and/or financial instruments other than those which that trader has explicit authority to trade (i.e. the Business Unit Office of the Chairman for North American Natural Gas may authorize a trader in the Coal group to trade gas with the North American Natural Gas desk). For limit monitoring purposes of Enron's consolidated trading results, these cross-commodity positions shall be captured by individual commodity to facilitate aggregation and reporting of Enron's consolidated exposure by commodity in the Daily Position Report (Coal desk's gas position will be aggregated with the North American Natural Gas commodity group.)

- C. **Position Measurement Parameters.** Any changes to parameters used in the aggregation and measurement of Positions must be approved by the Enron Corp. Chief Risk Officer or his designee(s). This includes, but is not limited to, the Benchmark Positions, VaR parameters, Maturity/Gap Risk periods, conversion ratios, volatility factors and correlation factors. Any material change as determined by the Chief Risk Officer will be communicated to Enron's Board at the next regularly scheduled Board of Directors' meeting.

~~The Board of Enron Corp. and the Chief Risk~~

- F. **Temporary Limits.** The Board of Directors of Enron Corp. may from time to time approve temporary limits to encompass certain specific approved positions. These temporary limits adjust the limit violation and loss notification requirements at the commodity group level until the granted limits expire, but they do not change the Aggregate VaR Limit unless the Aggregate VaR Limit is specifically adjusted.
- G. **Limit Changes and Other Policy Amendments.** Any modification of limits or other amendments, supplements or updates to this Policy, unless otherwise covered by this Section VI, must be either approved by (i) the Enron Corp. Board of Directors, or (ii) the Enron Corp. President and Chief Risk Officer and ratified by the Enron Corp. Board of Directors at the next regularly scheduled Board of Directors' meeting.

VII. Miscellaneous

Employee Trading. No employee of any Enron Business Unit may engage in the trading of any Position for the benefit of any party other than an Enron Business Unit (whether for their own account or for the account of any third party) where such Position relates to (i) any financial instrument, security, financial asset or liability which falls within such employee's responsibility at an Enron Business Unit, or (ii) any other commodity not covered by (i) included in any Commodity Group.

Employee Review of Policies. As determined by the Chief Risk Officer or his designee(s), an employee of any Enron Business Unit participating in any activity or transaction within the coverage

"Commodity Group" shall mean a collection of Positions having sufficient relationship and correlation (as approved by the Enron Corp. President and Enron Corp. Chief Risk Officer) that allow for aggregation into a Benchmark Position.

"Cross-Commodity Position" shall mean a Position within a certain Commodity Group that is not explicitly authorized as part of that Commodity Group. (i.e. Coal trading desk might hold a North American Natural Gas position as a hedge, or as a speculative position). The suitability and approval of Cross-Commodity Positions shall be reviewed and approved by the Business Unit Office of the Chairman over the approved commodity group. Aggregation of risk components and profit or loss for all commodity groups will be reported on a consolidated basis in the Enron Daily Position Report.

"Cumulative 5-day Loss" shall mean a sum of Daily Losses for the last consecutive five days. Upon occurrence of a Cumulative Loss Limit violation, Cumulative Loss calculation is reset and begins with the Daily Loss following the day on which the violation took place.

"Daily Loss" shall mean the loss in value of any Commodity Group on a daily basis, exclusive of non-trading type of originations and prudence. The Daily Loss will be calculated using the mark-to-market method on a net present value basis.

"Daily Position Report" shall mean a hard or soft copy report including, but not limited to the following, for each major commodity and price curve traded: Commodity Group Net Open Position, Maturity/Gap Position, profit or loss, potential exposure (VaR), and for all positions regardless of financial accounting treatment:

1. The amounts by which the mark-to-market value of the portfolio can change for small (or unit) changes in all "market parameters", as a term structure (i.e. by time "bucket") and on a net aggregate basis.
2. For portfolios with option or non-linear risks, the concentration of sensitivities (delta, gamma, vega) according to expiry date and strike price ("strike concentration").
3. The VaR for the portfolios, according to Enron's approved methodology.

The Daily Position Report shall also report the aggregated risk components (positions, VaR, and profit or loss) for approved Commodity Groups on a consolidated basis, without regard to which Enron Business Unit transacted, as discussed in Section VI.B. of this policy.

"Discretionary VaR" shall mean the VaR capital specified in Appendix I approved by the Enron Board of Directors that may be periodically allocated by the Enron Corp. Chief Risk Officer to permanent Commodity Groups listed in Appendix I as provided in Section VI. E. of this policy.

"Enron Business Unit(s)" shall mean Enron Corp. and any entity controlled, directly or indirectly, by Enron Corp., (including internal groups created for the purposes of trading, or aligned according to the commodities set out in the Appendices), or any entity directly or indirectly under common control of Enron Corp. For this purpose, the criteria for establishing "control" of any entity include but are not limited to, ownership of more than fifty percent (50%) of the voting power of such entity.

"Market Parameters" shall mean market spot and forward prices/curves, market spot and forward volatility, correlation (where appropriate), market interest rates, spot foreign exchange rates (where appropriate).

EC004403527

"Maturity/Gap Risk" shall mean the risks related to non-parallel changes of forward prices or interest rates. For purposes of this Policy, the Maturity/Gap Risk related to commodity Positions with forward prices shall be measured using a rolling total of the net open position per period, which may be modified based on the market structure of the underlying Position and pending authorization of the Chief Risk Officer of Enron Corp.

"Net Open Position" shall mean the aggregate of the open Positions in a Commodity Group on a Benchmark Position equivalent basis.

"Position" shall mean, collectively, the risk components (including, but not limited to, price risk, basis risk, index risk, credit risk and liquidity risk) of all products (commodities, financial instruments, securities, equities, financial assets or liabilities) which have been authorized for trading in the Enron Corp. Risk Management Policy, any of the Enron Corp. Policies or approved for trading through any amendments to this Policy.

"Transactions" shall mean, collectively, forwards, futures, swaps, options, or any combination of these instruments and any other derivative or cash market instruments creating a Position.

"Value-at-Risk" (VaR) shall mean the Potential Exposure related to a Commodity Group or Position representing the potential change in value resulting from changes including: market prices, interest rates, currency rates, counterparty credit condition, liquidity, funding and settlement risk, among others. VaR shall be calculated using the Enron Corp. adopted VaR methodology at the 95% confidence interval using a 1-day time horizon. Any recalibration or modification of the VaR methodology or parameters that take into account observed or anticipated changes in market factors or developments in VaR technologies must be approved by the Enron Corp. Chief Risk Officer or his designee(s).

APPENDIX I

ENRON CORP.
RISK MANAGEMENT POLICY
Proprietary and Confidential

APPENDIX I

Permanent Trading Limits (page 2 of 2):

Commodity Group	Benchmark Position	Net Open Position Limit	Maturity / Gap Risk Limit	VaR Limit
Financial Instruments				\$5 MM
Interest Rate	USD Notional Equivalent @ AA Libor	\$250,000 / bp	N/A	-
Foreign Currency	USD Spot Rate Notional Equivalents	\$150 MM	N/A	-
	Market Value in USD	\$200 MM	N/A	\$10 MM

Proprietary and Confidential

APPENDIX II

INTERIM POLICY TRADING LIMITS:

Commodity Group	Benchmark Position	Net Open Position Limit	Maturity / Gap Risk Limit	VaR Limit	Expiration Limit
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Agenda Item 5b

EC004403532

Transaction Approval Process

EC004403533

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Finance Committee Meeting

Proposed Transaction Approval Process (TAP) Policy Revisions

Organizational

- Adjust for the elimination of Global Functions (and for the related elimination of Larry Izzo as EE&CC signatory)

Risk Adjusted Capital Definition

- Add Capital Expenditures to determine aggregate exposure in a transaction

EC004403534

Agenda Item 5(b)
TRANSACTION APPROVAL PROCESS
(Suggested Form of Resolutions)

WHEREAS, the Board of Directors of the Company approved resolutions on October 12, 1998 adopting the Enron Corp. Transaction Approval Process (the "Transaction Approval Process") which provides for (i) a process for review and approval of Capital Expenditures (as defined in the revised policy attached to these minutes) and (ii) a process for

involving Capital Expenditures to be reviewed for performance and results; and

WHEREAS, the Board of Directors of the Company approved amendments to the Transaction Approval Process at meetings held on February 8, 1999, August 10, 1999, February 7th and 8th, 2000 May 2, 2000, October 7, 2000 and December 12, 2000; and

WHEREAS, it would be in the best interest of the Company to further amend the Transaction Approval Process in order to reflect the following changes: (1) amend the definitional provisions of the Transaction Approval Process to reflect changes in assignments and organizational structure of Enron Corp. and changes to the definition of Risk Adjusted Capital; and (2) amend the Transaction Approval Process by classifying all transactions seeking approval into conforming and non-conforming transactions and removing the classifications of global functions and region/business;

NOW THEREFORE BE IT RESOLVED, that the Company revise the Transaction Approval Process to that attached to these minutes and as set forth in these resolutions;

RESOLVED FURTHER, that the revised Transaction Approval Process is adopted and approved, that a copy of the revised policy be attached to the minutes as Exhibit A, and that the

RESOLVED FURTHER, that the Chairman of the Board and Chief Executive Officer, the President and Chief Operating Officer, the Vice Chairman, the Executive Vice President and Chief Risk Officer, the Executive Vice President and Chief Financial Officer, the Vice President, Finance and Treasurer, any Vice President of the Company, or any other person authorized by the Board to act on behalf of the Company be, and each of them hereby is, authorized and empowered to negotiate, enter into, execute, and deliver on behalf of the Company any agreements and documentation in connection with any transaction involving Capital Expenditures which has been approved in accordance with the revised Transaction Approval Process and as the officers executing such agreements shall approve, such approval to be conclusively evidenced by such execution; and

RESOLVED FURTHER, that all actions heretofore taken by the Chairman of the Board and Chief Executive Officer, the President and Chief Operating Officer, the Vice Chairman, the Executive Vice President and Chief Risk Officer, the Executive Vice President and Chief Financial Officer, the Vice President, Finance and Treasurer or any Vice President, in the name and on behalf of the Company, related to or in connection with transactions of the type contemplated by the new review process attached to these minutes but which originated prior to these resolutions, including, without limitation, the execution and delivery of any instruments or other documents as any such officer shall have deemed necessary, proper, or advisable, are hereby adopted, ratified, confirmed, and approved in all respects.

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EC004403536

Agenda Item 5c

EC004403537

Eli Lilly Bundled Energy Outsource

Enron Corp. Board of Directors

Energy Committee Presentation

Eli Lilly Bundled Energy Outsourcing Relationship

Transaction Capital Request

- Enron Board of Directors approved original transaction in December of 2000
- Request adjustments to deal structure for:

Decrease in Energy Asset Project Capital of \$3.4 MM

Add LLC capital and mobilization costs of \$8.7 MM

**Add Lease component for \$99.5 MM to finance Capital
Replacement Expenditures**

Eli Lilly wants Enron to manage financing

EC004403539

3/16

Eli Lilly Bundled Energy Outsourcing Relationship

Capital Request:

	Approved at December Board <u>Meeting</u>	<u>Current Proposal</u>	<u>Total</u>
<u>Total</u>			
- Energy Asset Project Capital ¹	\$ 24.5 MM	- \$ 3.4 MM	\$ 21.1 MM
- LLC Class C Shares (Monetization of Eli Lilly Savings) ²	\$50.0 MM	-	\$ 50.0 MM
- LLC Class A Shares ³	-	+ \$ 8.7 MM	\$ 8.7 MM
- Capital Replacement Expenditures ⁴	<u>\$ -</u>	<u>+ \$ 99.5 MM</u>	<u>\$ 99.5 MM</u>
Total Capital Exposure	\$ 74.5 MM	+\$104.8 MM	\$179.3 MM

• NOTES:

1 - Current Energy Asset Project capital amounts decreased due to changes in relevant power/gas price curves.

2 - Up-front payment to Lilly represents a portion of their share of savings; Repayment obligation by Lilly, a AA credit, of \$50 MM if

ENRON RISK ASSESSMENT AND CONTROL DEAL APPROVAL SHEET

DEAL NAME: Eli Lilly

Counterparty: Eli Lilly and Company

Business Unit: EES

Business Unit Originator: Michael Mann / Richard Zdunkewicz / Jeff Forbis

☒Public☐Private☒Merchant☐Strategic☒Conforming☐Nonconforming

Date DASH Completed: 2/6/01

RAC Analyst/Underwriter: Michael Tribolet

Investment Type: Bundled Outsource

Capital Funding Source(s): Balance Sheet

Expected Closing Date: 2/20/01

Expected Funding Date: 2/20/01

Board Approval: ☒Pending ☐Received ☐Denied ☐N/ARAC Recommendation: ☒Proceed with Transaction ☐Returns below Capital Price ☐Do not Proceed**APPROVAL REQUESTED**

Eli Lilly Monetization	\$ 50.0 MM
Equity in LCC	\$ 8.7 MM
Capital Replacement Projects	\$ 99.5 MM
Energy Asset Project Capital	<u>\$ 21.1 MM</u>
Total	\$179.3 MM

EXPOSURE SUMMARY

This transaction	\$ 179.3 MM
Existing commodity exposure	<u>\$ 15.5 MM</u>
Total exposure	\$ 194.8 MM

PHASE II DEAL DESCRIPTION

EES closed Phase I, the commodity management and supply portion of this two-phase transaction, in December of 2000. This request covers Phase II, the assets and labor component, which is an additional fifteen-year deal (TCV \$619 million) with Eli Lilly and Company ("LLY"), where EES will provide the following services:

- EAM Services: EES will develop, design, construct, and implement demand side energy management projects
- O&M Services: EES will provide operation, repair, replacement, and maintenance to energy assets and water systems (including purified and potable) and will manage Lilly's coal and fuel oil consumption
- Bill Management Services: EES will administer billing for water, sanitary sewer, chilled water, steam, coal and fuel oil at facilities covered in the transaction
- Lease Financing: EES will provide lease capital for EAM projects and replacement capital projects (\$21.1MM and \$99.5MM, respectively)

The outsource services will be provided by EES through an LLC created by EES and Lilly. (Commodity Management Services are currently being provided directly by EESI.) On a monthly basis, Eli Lilly will make a payment into the LLC comprising total gross consumption savings from projects, savings from Operational Modifications and Service Level Enhancements, lease payments for projects and capital replacement, and an O&M baseline (inflated by the appropriate regional indices). The LLC makes lease payments to EES (as financier) for projects and capital replacement and pays EES (as O&M manager) for actual O&M expenses. Economics sharing percentages are 70/30 Lilly and EES, respectively. Approximately

EES will provide two separate savings guarantees. First, EES will guarantee that gross consumption savings will be sufficient to cover the \$21.1 million in leases for energy asset projects. Second, EES will guarantee that Lilly, as Class B Member, will never have to fund O&M losses (i.e., actual O&M expenses exceed the baseline payment). In exchange for this second guarantee, EES receives a 5% premium to the negotiated baseline (incremental value to EES of approximately \$5MM). An Enron Corp guaranty will cover EES' obligations to Lilly under the contracts.

ELI LILLY OVERVIEW

Established in 1876, the Indianapolis-based company makes Prozac, the world's best-selling antidepressant (and 26% of Lilly's sales), as well as a variety of other pharmaceuticals, hormones, and nutritional products for humans and animals. Lilly also produces 40% of the world's supply of insulin. Other products include Gemzar for pancreatic cancer, Humalog (insulin), and Zyprexa, a schizophrenia treatment also approved to treat bipolar disorder. It is anticipated that these and other products will offset declining Prozac sales. The Lilly Endowment, a charitable foundation, owns 15% of the company. Ken Lay is on Lilly's Board of Directors.

2000 revenues were \$10.9 Billion and net income was \$3.1 Billion. Eli Lilly has 10 manufacturing branches in the US, 5 of which are served in this agreement. Eli Lilly is rated AA/Aa3.

RETURN SUMMARY

A preliminary model has been received from EES by RAC (displayed below). This model is in process of being validated by RAC. A DASH addendum will be circulated to reflect the final economics. In the event final economics do not provide a positive NPV, a revised approval by the Enron Board of Directors will be obtained prior to closing.

Economic Value at Mid:

Recap of EES NPV -	PV 8%
EAM Projects, gross savings	\$ 51,074
O&M Savings	\$ 53,856
Value to Lilly	\$ (73,451)
Equity contributions	\$ (7,412)
Credit Reserve	\$ (2,500)
Total value to EES	\$ 21,567

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TRANSACTION UPSIDE/OPTIONALITY

RISK MATRIX

DESCRIPTION

MITIGATION/COMMENTS

Assets & Labor Risk

- Failure of EES to meet agreed to operational service levels. Of the 239 employees, approximately 20% are expected to walkover to EES under the outsourcing. This will place an emphasis on training new personnel in order to properly execute the O&M component. Agreement provides for escalating penalties to EES for failure to meet service levels (subject to a cap).
- Lilly delay of an approved project that meets criteria set forth in the agreement
- Lilly delay of an approved OM&R process enhancement that would have led to energy consumption savings
- Lilly rejects OM&R process enhancement that meets the Project Checklist set forth in the agreement
- Lilly rejects an EES proposed efficiency project for reasons other than those permitted under the agreement
- Compliance with FDA's GMP ("Good Manufacturing Practices") associated with OM&R Services

- Through an extended transition period, EES O&M personnel will engage in a rigorous training and certification process prior to servicing energy assets. There are no union issues. The low percentage of workers joining EES is primarily due to an offer by Lilly for those affected to transfer to other positions within Lilly.
- EES is entitled to recovery of savings through monthly Project Delay Damages.
- EES is entitled to recovery of savings through monthly OM&R Delay Damages.
- EES has the right (but no obligation) to implement projects that meet contractual Project Checklist. EES is entitled to recovery of savings through monthly OM&R Rejection Damages, subject to a Lilly deductible and cap
- EES has right (but no obligation) to implement efficiency projects that meet contractual Project Checklist. EES is entitled to recovery of savings through monthly Project Rejection Damages, subject to a Lilly deductible and cap.
- Lilly's Quality Assurance/Quality Control group will be primarily responsible for compliance with GMP. EES personnel will, however, be extensively trained in GMP.

Inflation Risk

- Price increases in parts, labor and materials
- Inflationary pressure on investments in capital expenditures

- Agreement is inflation-neutral. Baseline is escalated via CPI (parts, materials) and ECI (labor) inflators published by the Bureau of Labor Statistics for the Midwest Region.
- Capital replacement and project costs are passed through to Lilly on an actual cost basis through lease payments

Facility Profile

- Change in Facility profile
- Labor disputes (between Lilly and its employees) disrupt EES's provision of OM&R services
- EES inability to perform services due to: inadequate staff level, inadequate staff skill level, inability to recruit from local markets in a timely manner
- Catastrophic or major component failure of equipment related to replacement capital
- Facility disposal or closure
- Lilly's right to terminate for convenience after year 5

- EES will earn cost + 10% on any facility scope or service level changes. After 18 months, a new baseline for the change will be established.
- Labor disputes are considered a Force Majeure event; EES's contractual obligations would be suspended. All facilities are open-shop.
- Transition strategy calls for staged facility takeover. Certification and takeover of a facility will not occur until EES has demonstrated full operational capability.
- A rigorous capital asset assessment survey will be executed during the Transition phase. A Capital Replacement / Maintenance plan has been developed for execution during the term that will replace or refurbish a significant portion of Lilly's Energy Assets.
- Lilly makes a Facility Termination Payment equal to foregone savings, unwind costs, and a recapture of transaction mobilization expenses.
- EES to receive the Default Termination Payment, excluding the 2% default premium.

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RAC Deal Approval Sheet**Deal Name: Lilly – Phase II**

Credit Risk <ul style="list-style-type: none"> Lilly's financial position deteriorates / bankruptcy with executory contracts 	<ul style="list-style-type: none"> Lilly is rated AA/Aa3 as of 1/2001 Material Adverse Change provision: if Lilly's credit drops to or below 'B' (S&P), payment for all service components is accelerated, invoices are due in advance, no grace period for bills, a 2% late fee is assessed to overdue bills, and Lilly funds all projects in-process.
Legal/Other Risk <ul style="list-style-type: none"> Environmental - EES is liable as the result of disturbing currently existing hazardous materials and those introduced by EES. EES liable for non-compliance with environmental laws. Lilly Default Consequential Damages / Direct Damages Product Liability Risk 	<ul style="list-style-type: none"> EES service quality to ensure hazardous materials are not disturbed during project implementation or OM&R services. Lilly will provide list of plants and locations of known hazardous materials. Upon Lilly default, EES to receive Default Termination Payment equal to the greater of present value of all future expected savings or originally expected savings, adjusted to actual performance after year 5, plus a 2% default premium. Contractual aggregate limit of \$60MM during term; \$5MM per occurrence (\$10MM for environmental) limit. Amounts paid by non-EES affiliated 3rd party insurers do not count toward the aggregate liability cap. Lilly indemnifies EES for 3rd party product liability claims (except for "willful misconduct"). EES only indemnifies Lilly for in-plant product or production loss.

KEY SUCCESS FACTORS:

	Poor	Fair	Good	Very Good	Excellent
Strategic Fit					X
Transaction Hedge Liquidity	N/A				
Counterparty Risk					X
Contract Terms			X		
Upsell Potential					X
EAM risk mitigation			X		
O&M risk mitigation		X			

OTHER RAC COMMENTS

A low percentage (20%) of Lilly O&M personnel are expected to join EES. This will make the O&M transition process more difficult to manage.

Repayment of the \$50 million under LLC structure is ultimately Eli Lilly credit risk, via the deficit restoration obligation and is not dependent on savings to Lilly. Thus, EES is exposed to minimum annual savings of at least 9% on the outstanding Class C shares. Current savings projections reflect the retirement of the Class C shares by year 11 of this agreement.

EES will guaranty that EAM savings are at least sufficient to cover the lease payments associated with the \$21.1 million of EAM capital.

MILESTONES

Walkover of O&M personnel. The utility operations at the five facilities included in the agreement are scheduled to transition to EES as follows:

July 1, 2001 Lilly Corporate Center
August 1, 2001 Greenfield
June 1, 2002 Lilly Technology Center
July 1, 2002 Clinton
August 1, 2002 Tippecanoe

EC004403544

APPROVALS

Origination

Name

Michael Mann / Jeff Forbis

SignatureDate

2/6/01

Structuring

Richard Zdunkewicz / M. Howe

Origination Management

Michael Mann / Gayle Muench

Legal

Vicki Sharp

EES Management

Lou Pai / Tom White

RAC Management

Dave Gorte / Rick Buy

Enron Global Finance

Ben Glisan / Andy Fastow

Enron Office of the
Chairman

Jeff Skilling

2/6/07

2/6/01

6 February 2001

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EC004403545

RAC Deal Approval Sheet

Deal Name: Eli Lilly

Global Finance Summary (addendum to DASH)

1. Transaction Summary:

Amount (MM)

Total Deal/Project Capital Commitment

\$179.3

Less: Financings

-0-

Less: Syndications

50.0

Net Enron Investment

\$129.3

2. Investment terms and pricing:

☒ Market☐ Above Market☐ Below Market

Describe (if necessary):

3. Financing terms and pricing:

☐ Market☐ Above Market☒ Below Market

Describe (if necessary): Documents are drafted with ratings downgrade creating an event of default only when Lilly slides to "B" level. No financial covenants are incorporated by reference when credit reaches "BB", which are thought to be necessary to sell this asset into a 125 vehicle & receive full mark to market value, & ultimately will be necessary to sell it to the capital markets once construction is complete.

4. Legal or practical liquidity restrictions:

☐ Unrestricted☐ Legally Restricted☒ Practically Restricted

Describe (if necessary): Lack of covenant structure/downgrade triggers could effect the liquidity for this paper to be sold without Enron credit enhancement. On the \$50MM Lilly monetization, the 9% fixed interest rate exposes us to widening of credit spreads & changes in the underlying Treasuries until ultimate sale to the capital markets.

5. Any recourse to Enron (other than investment):

☐ Recourse☒ No Recourse

Describe (if any):

6a. Business unit intent to syndicate:

☐ None☐ Partial☒ All

Describe (if necessary): initially the Lilly monetization will be funded through Whitewing. The Mark to market will be effected initially through Hawaii 125-O & then subsequently into EES structured finance vehicle by June 30 which will allow us to capture more MTM income. Ultimately, once construction is complete, sale to the Capital Markets is anticipated.

6b. Intended Enron hold period:

6c. Likely Syndication Market:

☐ Industry/Strategic Partner☐ Direct Private Equity☐ Capital Markets☐ JEDI☐ JEDI 2☐ Enserco☐ LJM 1 or 2☐ Condor☐ Margaux☒ Other: EES FASB 125 vehicle, ultimately capital

markets

6d. Is this a JEDI 2 "Qualified Investment"?

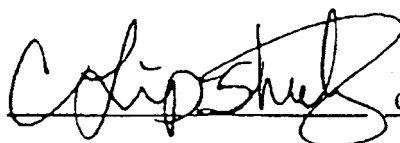
☐ Yes☒ No

7. Business unit intent to hedge investment price risk (e.g. with Raptor)?

☒ None☐ Partial☐ All

Describe (if necessary):

Global Finance Representative:



Cheryl Lipshutz

Global Finance Legal:

Signature

Jordan Mintz
Name (Printed)2/26/01
Date

EC004403546

AGENDA ITEM 5(c)
(SUGGESTED FORM OF RESOLUTIONS)

WHEREAS, Enron Energy Service Operations, Inc. ("EESO"), a wholly-owned subsidiary of the Company and certain of its affiliates and Eli Lilly and Company ("Lilly"), an Indiana corporation, desire to implement an energy management program ("Program") designed to outsource the management of Lilly's energy requirements;

WHEREAS, in connection with the implementation of this Program, EESO or an affiliate of EESO and Lilly desire to enter into (i) a Commodity Management Agreement ("CMA") and (ii) a Limited Liability Company Agreement ("LLC Agreement") forming a Delaware limited liability company ("LLC") which LLC will enter into an Energy Services Agreement (the "Services Agreement") with Lilly under which the LLC will implement a Program for certain Lilly facilities for up to fifteen (15) years, which Program services will include energy management services, the design, procurement, installation and financing of certain energy projects, and the operation, maintenance, repair and capital replacement of energy infrastructure at designated Lilly facilities, all pursuant to and in accordance with a Project, Operations, Maintenance and Repair Agreement, (POMR") and a Master Lease Agreement ("Lease") each between EESO and the LLC (collectively the CMA, LLC Agreement

Services Agreement, POMR and Lease are referred to herein as the "Agreements"); and

WHEREAS, as security for EESO's and its affiliates' obligations under the Agreements, the Company is required to guaranty the obligations of EESO and its affiliates thereunder; and

WHEREAS, the Company deems it is in its best interests that EESO and its affiliates enter into the Agreements and that the Company guarantee the obligations of EESO and its affiliates under the Agreements;

NOW THEREFORE IT IS RESOLVED, that the Board of Directors

appropriate in connection with the Agreements, including, without limitation, the authority and power to approve the execution of the Agreements and any agreement to be entered into in connection with the Agreements and to approve a guaranty agreement or agreements (collectively, the "Guaranty"), each with such terms, conditions and obligations as the President and Chief Operating Officer of the Company shall approve, such approval and the approval of this Board of Directors of the Company to be evidenced conclusively by the execution and delivery thereof by an officer of the Company, EESO or other subsidiary of the Company authorized by the President and Chief Operating Officer of the Company:

RESOLVED FURTHER, that the officers of the Company be, and each of them hereby is, authorized, empowered and directed in the name and on behalf of the Company, under its corporate seal or otherwise, to take such further action as any such officer may deem necessary or appropriate in connection with the Company's obligations under the Guaranty, including the execution of the Guaranty and of any other certificates or documents as the officers of the Company shall approve, such approval and the approval of this Board of Directors to be evidenced conclusively by the execution and delivery of such other certificates or documents;

RESOLVED FURTHER, that the officers of the Company, EESO or other subsidiary of the Company and their respective counsel be, and each of them hereby is authorized and directed (anyone of them acting

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alone) to take any and all such further action from time to time as any such officer may deem necessary or appropriate in connection with the Agreements and the Company's obligations under the Guaranty, including any amendment or modification of any of the Agreements or the Guaranty, and to execute and deliver all such further instruments, certificates, notices, waivers and documents for and on behalf of the Company, EESO or the other subsidiary of the Company, under corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions; and

RESOLVED FURTHER, that all actions heretofore taken by an officer of the Company, or a subsidiary thereof, related to or in connection with the Agreements and the Guaranty and the transaction contemplated by these resolutions are hereby adopted, ratified, confirmed and approved in all respects.

EC004403

Agenda Item 6

enda Item 7

EC004403550

Adjourn

EC004403551

7 - 1



Finance Committee Meeting

Agenda

EC004403

Agenda

EC004

		Page
1. Approval of December 11, 2000 Finance Committee Minutes	Mr. Winokur	1-1
2. Financial Reports		2-1
A) Chief Financial Officer Report	Mr. Fastow	2A-1
B) Review of LJM procedures and transactions completed in 2000	Mr. Causey	2B-1
3. Treasurer Report	Mr. Glisan	3-1
4. Chief Risk Officer Report	Mr. Buy	4-1
Quarterly Risk Update		4-2
- Merchant Portfolio Summary		4-18
- EES Status Report		4-26
- Market Risk Update		
5. Projects and Amendments		5-1
A) Revision to the Risk Management Policy	Mr. Buy	5A-1
- Approve for Recommendation to the Board		
B) Revision to the Transaction Approval Process	Mr. Buy	5B-1
- Approve for Recommendation to the Board		
C) Eli Lilly	Mr. Blachman	5C-1
- Approve for Recommendation to the Board		
6. Other Business		6-1
7. Adjourn		7-1

EC004403554

See Addendum for Deal Approval Sheets approved between Board meetings



Finance Committee Meeting